Annual Report 2005

BBVA

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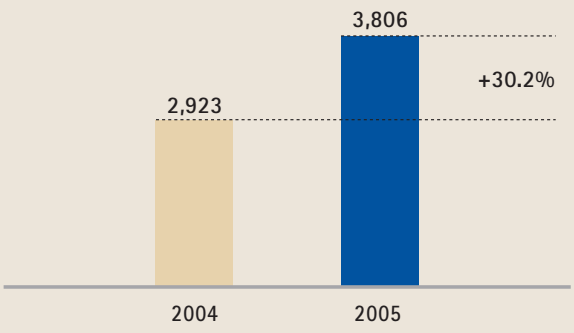
"The transformation process being undertaken at BBVA has enabled us to take a giant step forward"

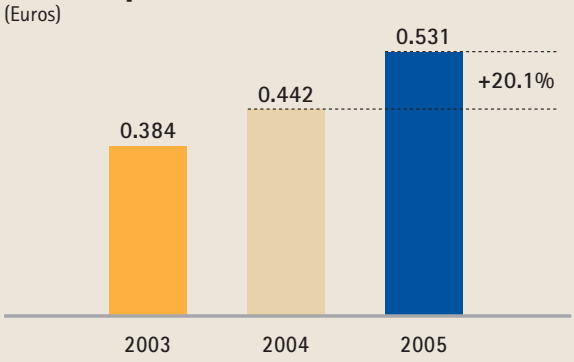
FRANCISCO GONZÁLEZ, CHAIRMAN AND CEO

HIGHLIGHTS

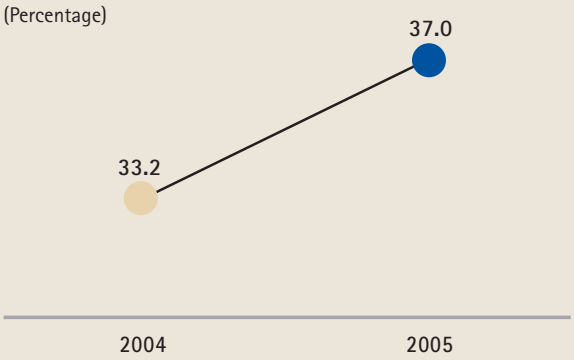
Net attributable profit
(Million euros)



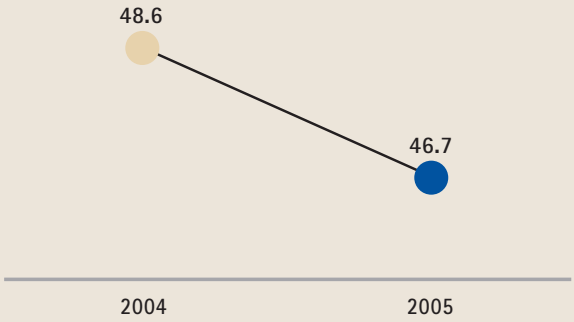
Dividend per share
(Euros)



ROE
(Percentage)



Efficiency ratio including depreciation
(Percentage)



BBVA GROUP HIGHLIGHTS
(Consolidated figures)

	31-12-05			
	US $ [1]	Euros	Δ%	31-12-04
BALANCE SHEET (million euros)				
Total assets	462,902	392,389	19.1	329,441
Customer lending (gross)	262,381	222,413	25.9	176,673
On-balance sheet customer funds	305,778	259,200	24.8	207,701
Other customer funds	169,744	143,887	18.4	121,553
Total customer funds	475,522	403,087	22.4	329,254
Equity	20,411	17,302	25.3	13,805
Shareholders' funds	15,378	13,036	18.9	10,961
INCOME STATEMENT (million euros)				
Net interest income	8,967	7,208	17.0	6,160
Core revenues	14,626	11,756	16.9	10,060
Ordinary revenues	16,203	13,024	17.1	11,120
Operating profit	8,489	6,823	22.0	5,591
Pre-tax profit	6,957	5,592	35.2	4,137
Net attributable profit	4,736	3,806	30.2	2,923
DATA PER SHARE AND MARKET CAPITALIZATION				
Share price	17.79	15.08	15.6	13.05
Market capitalization (million euros)	60,323	51,134	15.6	44,251
Net attributable profit	1.40	1.12	29.5	0.87
Dividend	0.63	0.531	20.1	0.442
Book value	4.54	3.84	18.9	3.23
PER (Price/earnings ratio; times)		13.4		15.1
P/BV (Price/book value; times)		3.9		4.0
SIGNIFICANT RATIOS (%)				
Operating profit/ATA		1.87		1.74
ROE (Net attributable profit/Average equity)		37.0		33.2
ROA (Net profit/ATA)		1.12		0.97
RORWA (Net profit/Risk weighted average assets)		1.91		1.62
Efficiency ratio		43.2		44.6
Efficiency ratio including depreciation and amortization		46.7		48.6
NPL ratio		0.94		1.13
NPL coverage ratio		252.5		219.7
CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)				
Total		12.0		12.5
Core capital		5.6		5.8
TIER I		7.5		7.9
OTHER INFORMATION				
Number of shares (million)		3,391		3,391
Number of shareholders		984,891		1,081,020
Number of employees		94,681		87,112
• Spain		31,154		31,056
• America [2]		61,604		54,074
• Rest of the world		1,923		1,982
Number of branches		7,410		6,868
• Spain		3,578		3,385
• America [2]		3,658		3,303
• Rest of the world		174		180

(1) Exchange rates used - Balance sheet: € 0.847673/US $ 1 (31-12-05).
- Income statement: € 0.803795/US $ 1 (2005 average).

(2) Includes those related to the BBVA Group's banking, pension fund managers and insurance companies in all the American countries in which it is present.

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Annual Report 2005

LETTER FROM THE CHAIRMAN

Dear Shareholder

2005 has been an excellent year for BBVA. We have posted a net attributable profit of €3,806m, a figure that is 30.2% higher than for 2004 and constitutes a new record for our Group.

Even more significantly, earnings per share – the most pertinent reflection of the value BBVA creates for its shareholders – increased by 29.5%.

Accordingly, in 2005 BBVA has extended and reinforced its trajectory of profitable growth: we have accelerated the advancement of activity in all our businesses, furthermore increasing our profitability. We have strengthened our foundations even more: the recurrence and quality of our results, our efficiency and our risk profile. All-in-all, this will enable us to continue creating value consistently in the future.

The clear progression in our earnings and the confident expectations we hold for the future enable us to significantly increase shareholder remuneration. The board of directors is therefore

submitting a proposal to the Annual General Meeting for a 2005 dividend of €0.531 per share, a 20.1% increase on last year. This, in turn, will be the highest figure ever paid out by the Group, bringing the average growth in the share dividend in 2002-2005 to 15.1% per year.

Our rising profits in 2005 were rooted in the firm pace of activity in all business areas, resulting in increases of 26% in lending and 22% in customer funds for the Group as a whole. In turn, this increment in business has been reflected in major rises in revenue, with increases of 17% in net interest income and ordinary revenues, and 22% in operating profit.

In short, we are presenting earnings of the highest quality, based on sustained growth in more recurrent revenues.

BBVA has therefore consolidated its position in 2005 as the most profitable bank amongst major financial groups in the European Union, with a return on equity (ROE) of 37%, more than 15 points above the average recorded by our peers.

We have managed to combine these returns with exceedingly robust foundations. In 2005, we have continued to improve our efficiency with a rise of 190 basis points, bringing it to 46.7%. This, too, is unmatched by major financial groups in the euro zone, bettering their average by 13 percentage points.

Concurrently, BBVA has continued to improve its risk profile, with a further drop of 19 basis points in the non-performing loans ratio, which now stands at 0.94%, and a 33% increase in the NPL coverage ratio, now at 252%. Both variables underscore the robustness of our balance sheet and confirm our leadership status amongst Europe's foremost banks.

BBVA has indeed had a magnificent 2005, thereby placing us in a strong position to face the future. This strength is drawn from the success of a strategy implemented in a coherent and systematic manner and from an ongoing process of transformation and improvement. A process that is still under way and, what's more, gathering pace, driving us firmly forward into this year, 2006, and into those to come.

Since 2002, BBVA has been at the forefront in the transformation of Corporate Governance, applying the most stringent and advanced international standards.

We have renewed our corporate culture, based on strict, clear ethical principles, on customer-focus throughout the entire organisation, on our pledge to all our stakeholders, and on our commitment to innovation.

We have also transformed our executive management model, rendering it more open and streamlined, and furthered the autonomy, initiative and responsibility of our human resources, making the best possible use of their skills.

We have begun 2006 with a new organisational structure, which has basically involved increasing the number of business areas from three to five: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, Mexico, South America and the United States. Furthermore, the Steering Committee has been reinforced, with the number of members being

Earnings of the highest quality, based on sustained growth in more recurrent revenues.

increased from 12 to 18 and the inclusion of the four heads of the key business units.

The aim is to further the Group's globalisation, empowering the decision-making ability of business units and accelerating the transformation process under way, giving innovation an added boost.

The transformation process being undertaken at BBVA has enabled us to take a giant step forward. As foreseen, BBVA has recorded steep growth, with the business volume rising 40% between 2002 and 2005.

Yet above all, BBVA has grown in a profitable manner. Over these same years, BBVA has more than doubled its net attributable profit. Even more significant, however, and of greater interest to our shareholders, is the fact that BBVA has more than doubled its earnings per share, rising from €0.54 in 2002 to €1.12 in 2005. This means that these earnings have risen at an average annual rate of 27.7%, well above the average of 23.8% recorded by the largest banks in the EU.

These figures have boosted the Group's market value, with BBVA's market capitalisation now twice that recorded in December 2002.

Not only have we grown, we have also laid extremely solid foundations for future growth.

Over these years, we have extended our geographical base, building up a position of clear leadership in Mexico's financial market, initiating our deployment in the United States and reinforcing our presence in Asia.

Insofar as business is concerned, we have embarked upon far-reaching long-term projects catering for underserved segments in the United States and migrant workers in Spain. We are also spearheading the relaunch of the mortgage business in Latin America, strengthening our market positioning in countries such as Mexico or Colombia, where in 2005 we acquired Granahorrar, a leading entity with a market share exceeding 15%. We are also reinforcing our position in businesses such as trade finance or project finance.

Our aim this year, 2006, is to uphold this pattern of strong profitable growth. We have defined a preferential growth framework, and within it, the Group's 29 business units have implemented 94 new schemes that address both organic and inorganic growth. Yet the latter is always undertaken upholding two very clear premises: consistency with our strategy and value creation.

The BNL operation has testified to our compliance with these principles. In 2005, we decided to launch a take-over bid on BNL, in order to focus our investment in this bank, which amounted to almost 15%. This aim could be achieved either by purchasing BNL for the price set by BBVA, or by selling the investment for an acceptable price. Finally, following the announcement of the offer made by the French group BNP, we came to the conclusion that the best way of generating the most value for shareholders was to sell our stock at the price of €2.9525 per share offered by the French group, thereby generating capital gains for BBVA of close to €600m and freeing up major liquidity funds

Our aim is to uphold this pattern of strong profitable growth.

and capital for addressing other profitable projects.

In the retail business, BBVA focuses on two regions in which it implements its acknowledged expertise in network management: Spain and the Americas, where Mexico is the key country. In all these areas and countries, 2006 is going to be another excellent year for growth.

In the United States, we are formulating a comprehensive value arrangement, exploiting the competitive advantages of the BBVA Bancomer brand amongst the population of Mexican origin, with the aim then being to extend it to the entire Hispanic community and, finally, to the whole of the US market.

In the wholesale business, the BBVA model is based on franchising. In both Spain and Latin America (excluding Brazil), BBVA is the leader in corporate banking. It is also the global leader in trade finance and project finance, businesses that provide us with a bridgehead for accessing other markets. Amongst these, Asia, the world's most rapidly expanding region, and with ever closer ties with Latin America, constitutes a clear opportunity for BBVA.

The furtherance of all these growth plans requires our continuous effort in transformation, underpinned by two clearly defined referents: on the one hand, our quest to provide our customers with increasingly enhanced solutions, as a means for sustained value creation, and on the other, an ongoing commitment to innovation to distinguish us from our competitors in the global financial industry. BBVA has implemented a Strategic Innovation Plan, which has already produced significant results this year, in terms of products, processes and access to new markets.

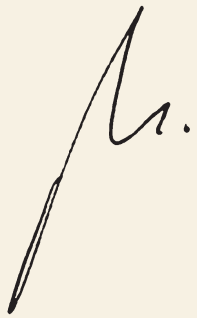
Yet this is no more than the tip of the iceberg, the size of which will gradually be revealed in this and ensuing years though BBVA's three core approaches: innovation in our current businesses; the application of new technologies that benefit our customers; and new business models catering for the requirements of a society undergoing rapid change.

In 2005, BBVA has further reinforced its position as one of the world's foremost banks in terms of productivity, returns and value creation for its shareholders.

This is the result of a well-designed strategy that is systematically and consistently applied, hand-in-hand with a commitment to continuous improvement, transformation and customer-focused innovation.

Our aim over the next few years is to become one of only a handful of benchmark entities in the 21st century's global financial industry. We are on our way to achieving this, and I am convinced that we are going to take further steps in 2006 that will bring us closer to this goal, thereby benefiting not only our shareholders, but also our customers, our employees and the societies in which we operate.

27 February 2006
Francisco González Rodríguez



A STRATEGY FOR PROFITABLE GROWTH

A SOUND STRATEGY (2002–2005)

In 2002, BBVA entered a new phase, looking to the future with optimism, confidence and ambition. This new stage was based on three key pillars: the management of diversity, growth and value. Nonetheless, the Group's two main referents were kept firmly in mind: customers and innovation.

2003 was the year in which the Group's foundations were reinforced. In order to address a complex global scenario, the narrowing of margins and the impact the appreciation of the euro had on earnings in the Group's Latin American businesses, BBVA chose to consolidate the management and supervision of both risks and efficiency. Likewise, a new organisational structure was introduced with a ground-breaking approach to executive management, and a revamped code of conduct was approved with a far-reaching training plan, with the goal being to position BBVA at the forefront in Corporate Governance.

Each and every one of these actions meant that in 2004 the Group's core businesses recorded significant progress driven by each one of the units. The demanding organic growth targets set for the year were easily achieved, exceeding market expectations and posting record profits for the Group. Progress was simultaneously made in inorganic growth schemes: BBVA launched a takeover bid on 100% of the shares it still did not own in BBVA Bancomer; it announced the acquisition of Hipotecaria Nacional in Mexico (joining the Group in January 2005), and in the United States it purchased specialist entities in target segments, such as Laredo National Bancshares (joining the Group in May 2005) and Valley Bank (December 2004).

In 2005, now fully ensconced in a growth pattern, BBVA once again posted record profits of €3,806m, successfully dove-tailing its strategy of organic growth – over 94 growth projects underway – with its strategy of inorganic growth, with such examples as the takeover bid on Banca Nazionale del Lavoro (BNL) and the acquisition of Granahorrar in Colombia.

Following several years of shareholding, and with a thorough knowledge of the company, BBVA decided to launch a takeover bid on BNL in order to focus its investment. This could be achieved in two ways: purchasing BNL for the price set in the takeover, thereby integrating it within the Group and subsequently transforming it, or selling the investment for an attractive price.

Following an analysis of the situation created, first by the Unipol operation and, now in 2006, by the announcement of the bid submitted by BNP Paribas, BBVA has decided it can generate greater value for its shareholders by divesting itself of its holding in the Italian bank. At a price of €2.9525 per share announced by the French bank BNP Paribas, BBVA would obtain capital gains of close to €600m.

In addition, in October 2005 BBVA announced the purchase of Granahorrar in Colombia; an acquisition that places BBVA at the head of the country's mortgage market, whilst also incorporating a broad customer-base.

In short, the outcome of the new phase initiated in 2002 has been extremely positive, rendering BBVA an investment alternative in which growth has been the dominant feature during this period, whilst a perfect balance has been struck between risk and returns.

BBVA, an institution in constant growth

Growth, one of the mainstays of Group strategy, has initially been reflected in the major increases in activity: BBVA's business volume, ie, the sum of customer lending and funds, amounted to €625.5 billion at year-end 2005, 1.4 times greater than the figure returned at year-end 2002, thanks to the positive trend in the three business areas: Retail Banking in Spain and Portugal, Wholesale and Investment Banking and the Americas.

This growth in business has been mirrored in net attributable profit, whereby if in 2004 BBVA recorded its best results ever, the steady pace of growth in 2005 has meant that this last year has also closed with record profits: €3,806m, a figure that is 2.2 times up on 2002.

In turn, earnings per share, the more pertinent figure for appraising value creation, have risen in 2005 to €1.12, which means more than doubling the €0.54 forthcoming in 2002. All this has had a bearing on the major increase in the Group's

BBVA takes a step forward in the transformation process

	Growth 2002	Growth 2005		AAGR 2002-2005
Market value	29,146	51,134	x1.8	20.6%
Net attributable profit	1,719 (1)	3,806	x2.2	30.3%
EPS	0.54 (1)	1.12	x2.1	27.7%

The finest indication of value creation for shareholders

(1) Pre-IFRS.

market capitalisation during the period in question, which at year-end 2005 stood at €51,134m, as opposed to €29,146m at year-end 2002.

BBVA: at the forefront in returns

The growth BBVA has experienced in recent years has been compatible with the achievement of high returns. Amongst today's major financial institutions, BBVA presents the highest returns in the European Union, with ROE (net attributable profit over average equity) in 2005 amounting to 37.0%.

All this has been rendered possible by the progress BBVA has made in its management competencies: the supervision of distribution networks, with significant increases in commercial productivity in the Group's main operating markets, the management of efficiency, in which BBVA is a recognised benchmark, and the management of credit and structural risks.

BBVA: increased productivity

The management of the branch network is one of BBVA's many strengths. It provides contact with customers, who the Group places at the heart of its business and with whom it seeks to uphold fluent, transparent and lasting reciprocal dealings. BBVA, which some years ago embarked upon the segmentation of networks, has therefore designed myriad innovative products and has equipped management teams with the tools, knowledge and skills required to cater efficiently for customer needs. The outcome of these efforts in 2005 has been a 33.9% increase in the average number of products sold by each manager in the retail segment in Spain, and a 41.8% rise in Mexico. An excellent position that BBVA is determined to improve for the good of its customers – the true architects of the Group's achievements.

BBVA: the leading bank in efficiency in the euro zone

In 2005, BBVA has recorded an efficiency ratio of 46.7%. This is a measurement that relates costs (including amortizations and depreciations) to operating income. This figure places BBVA in pole position amongst major banks in the euro zone in terms of efficiency, making it a benchmark entity at global level.

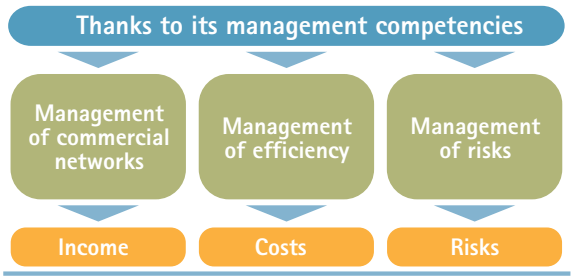
BBVA: an excellent risk profile

The Group has managed to combine growth with efficient risk management, which BBVA considers to be a core competency for providing investors with stable and ongoing value creation.

The result of this accomplished management has been that at year-end 2005, the BBVA Group's non-performing loans (NPL) ratio has recorded its lowest ever level of 0.94%, with the NPL coverage rate soaring to a record high of 252.5%. It should furthermore be remembered that 95% of the Group' assets are located in investment grade countries, and that BBVA adopts a hands-on approach to structural risk management (exchange rates, interest rates, reputational risk, etc). Such factors lie behind the high score BBVA has been awarded by the main rating agencies: AA– by Standard & Poor's and Fitch, and Aa2 by Moody's.

Finally, it should be noted that over these years BBVA has achieved a self-financing growth model, generating sufficient capital to remunerate its shareholders handsomely and address both organic and inorganic growth operations, upholding sound capital ratios at all times.

BBVA presents the highest returns in the European Union, at 37%



PLEDGES HONOURED

BBVA is today a more efficient, profitable and solvent group. A group which, moreover, has honoured each and every one of the pledges it made in 2002 to its stakeholders: customers, shareholders, employees and public at large. Pledges that underpin the Group's corporate culture and which have been embodied in numerous projects.

Customers

Actions focusing on customers, the veritable cornerstone of the business, have been legion over these years: the Customer project, initiated in Mexico and subsequently extended to all other countries; the financial services plan in retail banking, an inventive approach to customer dealings based on guidance and personalisation; the *400* plan or the *Faro* plan, which have helped to bolster the wholesale banking franchise; the launch of *Hipoteca Fácil* (Easy Mortgage), the *Carteras Gestionadas* for funds and the *Cuentas Claras*, which constitute as many examples of innovative and useful solutions for customers; or the service provided to segments with a high growth potential, such as the Hispanic community in the United States or the migrant worker population in Spain.

Shareholders

The pledge to enhance investor trust has also been reflected in numerous schemes: the safeguarding of their interests through inorganic growth operations underscored by value creation and strategic focus criteria, the application of a Corporate Governance System based on the most stringent standards of transparency and ethical conduct or the adoption of a Code of Conduct, without ignoring a policy of increased dividends.

Employees

The road travelled by BBVA over these years is due largely to its employees' commitment to the common good. There have been abundant schemes within this sphere: the new executive management structure, the furtherance of personal and professional development, the recognition of worth and the management of diversity as a competitive advantage.

Society

In each one of the societies in which BBVA is operational, the Group has sought to increase its value contribution through its corporate responsibility actions, integrated within all the Group's areas and activities, as a mainstream factor that has a bearing on all its lines of action.

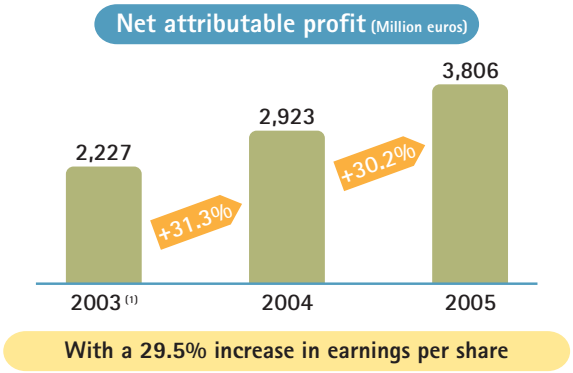
MILESTONES 2005

In short, 2005 has concluded a cycle in which BBVA has pursued a stunning trajectory of profitable growth, with its maximum expression being the record earnings achieved in the year.

2005: record profits once more

Earnings should be analysed within the strategic framework defined in 2002. Accordingly, steady progress has been made in 2005 in the management lines announced at the beginning of the year, ensuring the continuance of the growth trend initiated in prior years and thereby recording the aforementioned net attributable profit of €3,806m, 30.2% up on 2004, and a new record as the Group approaches 150 years in business.

BBVA concludes another record year



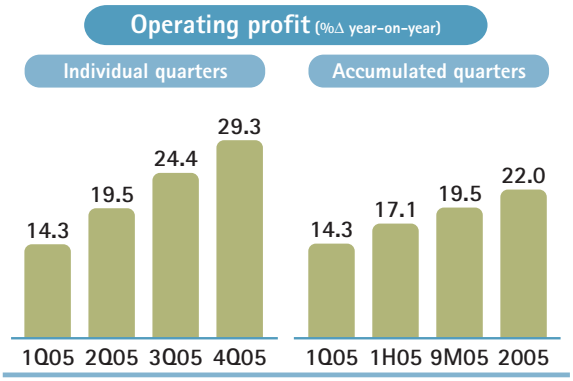
(1) Pre-IFRS.

Keys to the year. The keys to these earnings may be summarised as follows:

- Upholding high rates of growth in all business areas, which have been mirrored in income, with sharp, balanced increases in all lines.

- The positive performance of operating profit, amounting to €6,823m, up 22% on 2004. This is the crucial factor in the growth in profits, and once again this year it reveals the high recurrence and quality of Group earnings.
- A further highlight has been the acceleration from one quarter to the next in year-on-year growth rates, in terms of both net profits and margins.

Year-long upward trend



Dividend growth. The growing generation of earnings enables the BBVA Group to pursue its well-received policy on shareholder remuneration, and a proposal has therefore been made to increase the dividend corresponding to 2005 to €0.531 per share, a 20.1% increase on the prior year.

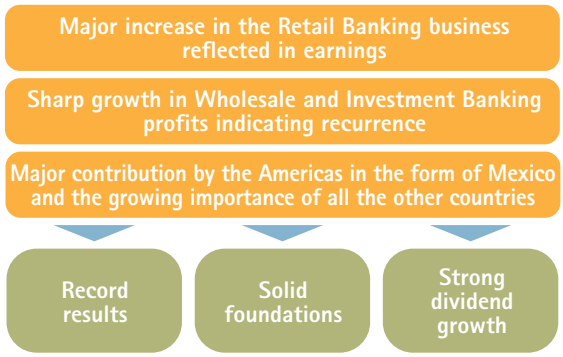
Excellent performance in all business areas. The Group's earnings in 2005 have been based on an excellent performance in the three business areas.

Retail Banking in Spain and Portugal has once again successfully exceeded the targets set. The dynamism of business activity, with increases of 20% in lending and 10% in customer funds, has been reflected in the area's earnings, with net attributable profit amounting to €1,614m, 13.1% up on the prior year.

Wholesale and Investment Banking has consolidated its franchise model in 2005, closing an excellent year with a net attributable profit of €592m, 46.6% up on the figure for 2004, thanks to the business's steady growth rates, the recurrence of income in Corporate Banking and Institutional Banking and the strength shown by the Markets unit.

The Americas area has posted record profits of €1,820m in 2005, a 52.3% increase on 2004. All business units in the area have recorded positive growth in terms of both earnings and business, with Mexico being an especially significant case. The net attributable profit the country has recorded in the banking, pensions and insurance businesses has risen 56.7% to €1,350m. This figure accounts for 74% of the profits in the Americas area and for 35% of the overall total for the Group.

BBVA completes another excellent year



Granahorrar takeover

In 2005, the *Fondo de Garantías de Instituciones Financieras* in Colombia declared BBVA the winner in the auctioning of Granahorrar, for a sum of €364m. This operation enables BBVA to take the lead in Colombia's mortgage market, reinforcing its presence in a country that has embarked upon a period of growth and stability.

Granahorrar is one of the leading entities in the Colombian mortgage market, with a 15.2% market share. It has 130 branch offices, which supplement the current network of 255 branches in BBVA Colombia. In 2004, Granahorrar posted a net attributable profit of $45m, with a return on equity (ROE) of 20.9% and a NPL ratio of 3.2%.

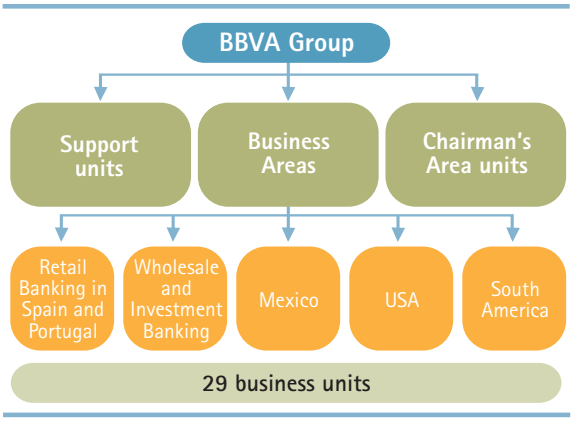
This acquisition fulfils two basic criteria that BBVA has been applying in the assessment of inorganic growth operations: consistency with the Group's strategy and value creation for shareholders from the very beginning.

New organisational structure

In December 2005, BBVA adopted a new organisational structure, with a view to driving the Group's growth on the basis of three pillars of action: furthering the Group's globalisation, reinforcing the business units' decision-making scope and accelerating transformation through innovation in processes and value sources.

The new structure includes three types of areas and units: Business, Human Resources, IT & Operations and the Chairman's Area. The business units, defined as value creation centres, are directly responsible for their market penetration, growth and income statement. The diversity and global nature that characterises the Group today has advised raising the number of business areas from three to five, which as of January 2006 are as follows: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, Mexico, the United States and South America.

Likewise, the Steering Committee has been reinforced, with the number of members being increased from 12 to 18 and the inclusion of the four heads of the key business units.



BBVA MARCHES PURPOSEFULLY INTO THE FUTURE

Looking to the future, BBVA wishes to continue advancing along the path of profitable growth, and aspires to further consolidate its position as an excellent investment alternative.

Accordingly, the Group's strategy involves continued work on two vital aspects of future value creation: corporate positioning and the business model.

Corporate positioning

BBVA adopts a hands-on approach to the management of its business portfolio. An umbrella framework has been defined for the entire Group and its 29 business units determine their own growth plans – ones that consider both organic and inorganic growth, and whose evolution plays a dynamic role in defining the aforementioned portfolio.

Recent years have witnessed the strengthening of what are deemed to be the Group's core businesses. The economic capital allocated to the business areas has thus risen from 79% of the total in 2002 to 83% in 2005. This increase reflects the greater penetration in high-growth markets and businesses, in which BBVA is acknowledged to be competitively positioned, in the fields of both retail and wholesale banking.

Retail business. BBVA has a major presence in the retail business in Spain and the Americas.

There is a prevailing belief in the Group that the Spanish market, which upholds a broad growth differential regarding the European Union, still has considerable growth potential. BBVA's positioning in this market may be rated as excellent, both within the sphere of private customers, in which it holds a position of leadership in all segments and business lines, as within the sphere of SMEs, where its strategy of differentiation has consolidated its dominant market position.

Concerning the Americas, a region that has undergone major economic growth in recent years, BBVA's forecasts are also extremely favourable. Ten years after BBVA made its first acquisition in the Americas – Banco Continental in Peru –, the Group is comfortably positioned in all those countries in which its pursues its business, thanks to its successful global business model, which is supplemented by each market's particular specificities.

Mexico is a key country in the development of BBVA strategy in the region. The Group has a steadfast commitment to Mexico, as revealed by the investments made in 2004. Furthermore, the

BBVA share was quoted on the Mexican stock exchange for the first time in August 2005, whereby it became the first European financial group to be listed on the Mexican stock market.

The BBVA Bancomer franchise, furthermore, has acted as a gateway to the US market, a country in which BBVA pursues three major lines of business: cash remittances, in which Bancomer Transfer Services (BTS) is the market leader with a share in excess of 40%; the core products and services for migrant workers, through BBVA Bancomer USA; and banking products for subsequent generations and SMEs, through Laredo National Bancshares.

A full value arrangement that exploits BBVA Bancomer's competitive advantages, with a highlight being the brand's acceptance amongst the Mexican population on both sides of the border.

Wholesale business. BBVA has a business model for this activity based on the franchise it has been developing over the past years. BBVA is the market leader in Spain in corporate banking, being the first or second provider for 79% of large corporations, and the second in Latin America, albeit the first if we exclude Brazil. In the institutions segment, BBVA has traditionally been a veritable benchmark amongst its competitors, a status it still retains today. In addition, the Group occupies positions of leadership in trade finance and project finance, businesses that BBVA is extending to emerging markets.

Along these lines, Asia provides a clear opportunity for exporting the Group's franchise model. BBVA is approaching this region in a cautious yet determined manner. May 2005 thus witnessed the creation of a new business unit, Corporate Banking Asia, part of the *Asia* plan, a growth project of strategic importance for the Wholesale and Investment Banking area and for BBVA as a whole. At year-end 2005, the Group was present in Beijing, Tokyo, Hong Kong and Shanghai.

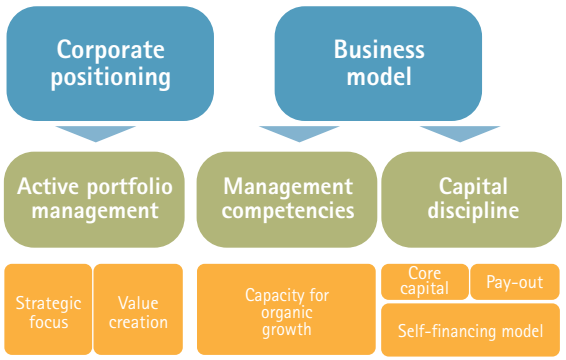
Business model

Together with corporate positioning, the business model is the second of the essential factors underpinning value creation. As has been mentioned earlier, BBVA has a tried and tested management model based on the Group's three management competencies or strengths – the management of the commercial network, the management of efficiency and the management of risk.

These management strengths, which the Group has successfully exported to its Latin American franchise, explain the organic growth the Group has recorded in the past and constitute the basis for future growth.

Furthermore, the management of its core capital, which has remained at around 6%, with a pay-out level close to 50% (47.3% in 2005), has allowed for self-financed growth in recent years and for shareholders to be suitably remunerated through dividend pay-outs. The annual dividend growth rate over the period 2002-2005 has amounted to 15.1%.

BBVA consolidates its position as an excellent investment alternative...



The BBVA business model provides an assurance of future growth through its business models. Therein lies its market value and awareness, as they constitute the Group's true centre of gravity. They are imbued with sufficient autonomy to oversee their own income statements and decide upon their own growth plans, all within the framework defined by the Group.

Nonetheless, although the business model is admittedly important, the key lies in its implementation. In this sense, the BBVA Group has a structured organisation, centred on the development of its earnings-focused strategy and, above all, it has a magnificent team, more than just the sum of its individualities, which is the main guarantee for the future.

FINANCIAL REPORT

- EARNINGS
- BALANCE SHEET AND BUSINESS ACTIVITY
- CAPITAL BASE
- THE BBVA SHARE

ECONOMIC ENVIRONMENT

The global economy has continued to grow in 2005. This positive trend was nearly interrupted on several occasions as a result of the increase in oil prices, which was steeper than expected. The perception of a narrow margin between offer and demand in this market, as well as specific factors, such as the hurricanes affecting the Gulf of Mexico or the periods of political instability in the Middle East, put a strain on the price throughout the year, which added uncertainty to the evolution of business activity in those economies relying heavily on oil imports. Nevertheless, in the end the global economy showed considerable resilience to the hike in oil prices, growing by more than 4%.

At the same time, although rising oil prices accelerated the growth rate of the energy component in price indices and led to more pessimistic short-term inflation forecasts, the underlying inflation component remained fairly stable and, in general, there was no deterioration in the medium and long-term outlook on inflation in oil-importing countries.

As economic expansion became consolidated and the risk of inflation grew, the US Federal Reserve gradually raised its official interest rates, from the minimum level they recorded in June 2004 to 4.25% at year-end 2005. On 1-Dec-05, the European Central Bank also indicated that the upward cycle in interest rates was underway, setting its official rate at 2.25% after two and a half years with interest rates at 2%.

Despite this move towards the normalisation of extremely relaxed monetary conditions, it should be noted that long-term interest rates remained at very low levels. On average, the 10-year rate in 2005 was the same as the preceding year in the US, whereas in the EMU it was almost 70 basis points lower. Therefore, in spite of the rise in official interest rates in the US and marginally so in Europe, the climate of extremely high liquidity conditions prevailed in the global economy, with flatter interest rate curves.

Another significant feature of 2005 was the evolution of the dollar. Although forecasts pointed to depreciation in the US currency, in response to the country's high current account deficit, the interest rate differential favoured the currency, which strengthened after recording its lowest levels against the euro in March.

The economy's performance in 2005 also reflected the ever-increasing process of globalisation in business activity and capital flows. The growing involvement of large-scale economies with a significant share of the world's population – such as China – in market production systems, has led to a significant dynamism in trade flows between countries and an increase in the price of raw materials such as

INTEREST RATES
(Quarterly average)

	2005				2004			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	2.08	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Euribor 3 months	2.34	2.13	2.12	2.14	2.16	2.12	2.08	2.06
Euribor 1 year	2.63	2.20	2.19	2.33	2.31	2.35	2.29	2.14
Spain 10 year bond	3.38	3.23	3.36	3.64	3.79	4.15	4.31	4.14
USA 10 year bond	4.48	4.20	4.15	4.29	4.16	4.29	4.58	3.99
USA Federal rates	3.97	3.43	2.92	2.45	1.95	1.43	1.00	1.00
TIIE (Mexico)	9.10	9.88	10.05	9.40	8.54	7.45	6.73	5.90

oil and metals. Furthermore, the interest shown by these countries in upholding their competitiveness led them to amass major reserve funds, which in China's case reached record levels.

When this macroeconomic context is combined with high global liquidity, it comes as no surprise to learn that capital flows recorded a new maximum, with greater movement in portfolio flows than in direct foreign investment. This trend in capital flows has meant that doubts over the financing of the US current account deficit have been largely dismissed, and it has provided support for certain emerging markets, such as Latin America, which had not recorded positive portfolio flows since 2000.

Latin America was undoubtedly one of the regions favoured by the prevailing climate, growing more than 4% in 2005. This was the third year in succession of significant growth, underpinned by the fact it extended to all the countries in the region. Increases in the price of raw materials also worked in favour of the region, which overall recorded a current account surplus for the first time during a period of expansion. This factor, together with high levels of international liquidity, have brought about a significant improvement in nominal exchange rates and a considerable reduction in risk premiums, which the region has exploited to cover a large part of its financing needs in 2006. There are a few exceptions to the appreciation in certain countries in which the movement of exchange rates has been restricted through the accumulation of reserves. The trend in exchange rates conditioned the performance of monetary policies in the different countries, despite the fact that many of them have adopted explicit inflation targets. In certain cases, exchange rate appreciation helped to delay interest rate rises in economies that recorded significant growth in domestic demand. In others, such as Mexico and Brazil, which raised their interest rates during the first half of the year, highly restrictive monetary conditions were forthcoming with a potential bearing on business activity, which led to a reduction in interest rates in the final months of the year.

Thus, Mexican interest rates peaked in May and began to fall off towards the end of August. The peso gained ground throughout the whole year, strengthening from 11.2 pesos to the dollar at the beginning of the year to 10.7 in December, which kept inflation at record lows, standing at an annual average of 3.9%.

Within this global context, the European economy grew less than in 2004. However, the Spanish economy was up 3.4% (three-tenths of a percent more than in 2004) driven by strong domestic demand from consumers, the housing market and SMEs. Consumer demand and investment in housing rode on the back of a greater number of households and their increased spending power, as well as on soaring levels of financial and real estate wealth. In short, household spending was driven by higher employment, by over 3%, and by the "permanent" drop recorded in interest rates since entry into the EMU: negative in real terms since 2002 and with a moderate upturn expected in the foreseeable future.

The five-point contribution made by domestic demand was partially offset by the foreign sector's negative growth contribution of two percentage points. This stems from the concurrence of a demand differential with our main trading partners that is approaching its highest level ever and to the ongoing increases in relative prices in Spain, in addition to the effect of higher energy costs. In terms of the current account balance, the deficit amounts to approximately 8.0% of the GDP, a reflection of the increase in investment, installations and housing, whilst saving in the economy remains virtually unchanged.

Inflation in consumer prices in 2005 stood at 3.4%, 1.2 points higher than for the EMU as a whole and 0.1 points greater than the average differential for the period 2001-04. Nevertheless, as in all other countries, the acceleration in prices in 2005 focused on one of their more volatile components, energy, as the inflationary trend remained at the 2.6% recorded in 2004.

EXCHANGE RATES [1]

	Year-end exchange rates			Average exchange rates		
	31-12-05	Δ%	31-12-04	2005	Δ%	2004
Mexican peso	12.6357	20.2	15.1823	13.5575	3.5	14.0382
Argentine peso	3.5907	12.8	4.0488	3.6382	0.8	3.6664
Chilean peso	606.80	25.1	759.30	696.86	8.7	757.58
Colombian peso	2,695.42	18.9	3,205.13	2,890.17	12.7	3,257.33
Peruvian new sol	4.0434	10.7	4.4745	4.0976	3.5	4.2399
Venezuelan bolivar	2,531.65	3.1	2,610.97	2,617.80	(10.5)	2,341.92
US dollar	1.1797	15.5	1.3621	1.2441	-	1.2438

(1) Expressed in currency/euro.

Regarding those currencies with the greatest impact on the BBVA Group's financial statements, the accompanying table provides details of exchange rates at 31-Dec-05 and 31-Dec-04 (used to convert the balance sheets and business aggregates of BBVA Group affiliates in the Americas from the local currency into euros) and the average exchange rates for each of the last two years (used to convert the aggregates on income statements).

In contrast to prior years, the euro fell against the dollar and most Latin-American currencies in 2005, with a positive exchange rate effect on the Group's balance sheet at year-end 2005 and on year-on-year comparisons. Accordingly, the corresponding sections refer to the variations in constant exchange rate in those cases in which they are significant.

Regarding average exchange rates during the year, the overall impact is positive for the first time in many years, albeit only very moderately so. The Mexican peso appreciated 3.5% against the euro, the Colombian peso 12.7%, the Chilean peso 8.7% and the Peruvian sol 3.5%. The dollar rate remained at a similar level to 2004 and the Venezuelan bolivar fell 10.5%. In order to facilitate an analysis of the trend in the different line items on the income statement without the effect of exchange rate fluctuations, the corresponding chapters include columns with the year-on-year variation rates at a constant exchange rate, resulting from the application of average exchange rates in 2005 to the 2004 results.

APPLICATION OF NEW ACCOUNTING STANDARDS

In pursuance of the regulations approved by the European Union, the BBVA Group's consolidated financial statements corresponding to 2005 have been drawn up in accordance with International Financial Reporting Standards adopted by the European Union and taking into account the Bank of Spain's Circular 4/2004, which has adapted the accounting system for Spanish credit institutions to the new standards.

The new standards involve significant changes in accounting policies, measurement bases and the way of presenting the financial statements with regard to those in force when drawing up the consolidated financial statements for 2004 (Bank of Spain's Circular 4/1991). Accordingly, the information relating to 2004 contained in this Annual Report, which is presented for comparative purposes, has been prepared with the same criteria as for 2005 and is, therefore, homogenous.

This report's chapter on Legal Documentation provides a detailed explanation of the basis of consolidation, accounting policies and measurement bases applied (Notes 1 and 2 to the consolidated financial statements, as well as the main impacts of the adjustment to the new standards and the reconciliation of the final balances for 2003 and 2004 under the previous standards and the beginning balances for 2004 and 2005 applying the new standards (Note 3 and Annexes VI, VII and VIII).

Earnings

- Net interest income
- Ordinary revenues
- Operating profit
- Provisions and others
- Profit and its distribution

The BBVA Group recorded significant progress in terms of the main management indicators in 2005 which already showed significantly high levels in the international context. The sharp growth in business in all segments and geographical areas was compatible with additional improvements in quality and hedging, and resulted in record-high earnings in the history of BBVA. With the increments achieved in earnings in the year from shares, efficiency, return on equity and return on assets as well as in the quality of risks, BBVA was consolidated in the top positions among the large European finance groups.

The net attributable profit of the Group for 2005 came to €3,806 m, which is the highest figure to be reached by BBVA and is 30% up on the €2,923 m obtained in 2004.

Earnings per share stood at €1.12, up 29.5% on the €0.87 in 2004, and return on equity (ROE) reached 37%, against 33.2% in 2004.

Unlike the case in former years, the impact of the variation in average exchange rates of Latin American currencies on the Group's earnings was negligible. In fact, the net attributable profit grew by 29% at a constant exchange rate. Consequently, there shall be scarcely any reference to fluctuations at constant rates. However, the table provided includes an additional column on the same.

During the year, all sources of revenue, without exception, performed positively. This highlights the quality of the results and is the greatest factor contributing to profit growth. Increases in revenue outstripped cost increases and thus the Group once again improved in efficiency. Operating profit advanced significantly by 22% compared to 2004.

Besides the strength of recurrent revenue, the other feature contributing to the quality of 2005 results was the largely neutral effect of line items on the profit and loss account between operating profit and net profit. The differences between the two years offset each other. In the comparison with 2004, reductions in provisions and other adjustments were offset by lower capital gains on sale of holdings.

CONSOLIDATED INCOME STATEMENT

(Million euros)

	2005	Δ%	2004	Memorandum item: Δ% at constant exchange rate
Core net interest income	6,915	17.1	5,904	15.7
Dividends	292	14.6	255	14.5
NET INTEREST INCOME	**7,208**	**17.0**	**6,160**	**15.7**
Net income by the equity method	121	25.2	97	25.4
Net fee income	3,940	15.4	3,413	13.7
Income from insurance activities	487	24.7	391	22.4
CORE REVENUES	**11,756**	**16.9**	**10,060**	**15.4**
Net trading income	1,267	19.6	1,060	19.0
ORDINARY REVENUES	**13,024**	**17.1**	**11,120**	**15.7**
Net revenues from non-financial activities	126	(0.6)	126	(0.7)
Personnel costs	(3,602)	10.9	(3,247)	9.8
General expenses	(2,160)	16.7	(1,851)	15.2
Depreciation and amortization	(449)	0.1	(448)	(1.7)
Other operating income and expenses (net)	(115)	4.6	(110)	1.2
OPERATING PROFIT	**6,823**	**22.0**	**5,591**	**20.7**
Impairment losses on financial assets (net)	(854)	(10.8)	(958)	(12.4)
• Loan loss provisions	(813)	3.7	(784)	1.6
• Other	(41)	(76.3)	(174)	(76.3)
Provisions (net)	(454)	(46.6)	(851)	(46.8)
Other income/losses (net)	77	(78.3)	355	(78.2)
• From disposal of equity holdings	29	(90.7)	308	(90.8)
• Other	49	4.4	47	9.0
PRE-TAX PROFIT	**5,592**	**35.2**	**4,137**	**33.8**
Corporate income tax	(1,521)	47.9	(1,029)	45.5
NET PROFIT	**4,071**	**31.0**	**3,108**	**29.9**
Minority interests	(264)	42.3	(186)	44.7
NET ATTRIBUTABLE PROFIT	**3,806**	**30.2**	**2,923**	**29.0**

Another relevant feature of the Group's 2005 results was their steady climb. The year-on-year increases for all revenues and profit figures are progressively higher when expressed at either current or constant exchange rates. The rate of growth of operating profit accelerated, rising from 14.3% in the first quarter, to 17.1% for the first half, to 19.5% for the first nine months and to the above figure of 22.0% for the full year. Net attributable profit was up 18.0% in March, 20.1% by June, 24.9% in September and 30.2% for the full year.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION

(Million euros)

	2005				2004			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Core net interest income	1,890	1,785	1,701	1,539	1,516	1,485	1,463	1,440
Dividends	109	41	121	22	89	22	116	29
NET INTEREST INCOME	**1,999**	**1,826**	**1,822**	**1,561**	**1,605**	**1,507**	**1,579**	**1,469**
Net income by the equity method	43	28	28	23	27	26	22	22
Net fee income	1,065	1,022	954	899	872	861	848	833
Income from insurance activities	138	130	123	96	95	102	95	98
CORE REVENUES	**3,245**	**3,006**	**2,926**	**2,579**	**2,599**	**2,495**	**2,544**	**2,422**
Net trading income	372	255	341	299	289	228	302	240
ORDINARY REVENUES	**3,617**	**3,261**	**3,267**	**2,878**	**2,888**	**2,723**	**2,847**	**2,662**
Net revenues from non-financial activities	15	43	40	28	51	21	37	18
Personnel costs	(982)	(910)	(872)	(838)	(849)	(793)	(797)	(808)
General expenses	(599)	(551)	(532)	(479)	(501)	(447)	(451)	(452)
Depreciation and amortization	(125)	(117)	(105)	(102)	(110)	(114)	(111)	(113)
Other operating income and expenses (net)	(49)	(27)	(9)	(31)	(26)	(24)	(27)	(32)
OPERATING PROFIT	**1,878**	**1,699**	**1,789**	**1,457**	**1,453**	**1,366**	**1,497**	**1,275**
Impairment losses on financial assets (net)	(296)	(234)	(202)	(123)	(362)	(183)	(183)	(230)
• Loan loss provisions	(282)	(227)	(187)	(118)	(189)	(183)	(187)	(225)
• Other	(14)	(7)	(15)	(5)	(173)	-	4	(6)
Provisions (net)	(125)	(75)	(123)	(131)	(137)	(199)	(226)	(289)
Other income/losses (net)	5	15	57	(1)	32	20	18	284
• From disposal of equity holdings	10	3	13	4	25	21	22	240
• Other	(5)	13	45	(4)	6	-	(4)	44
PRE-TAX PROFIT	**1,461**	**1,406**	**1,522**	**1,203**	**986**	**1,004**	**1,107**	**1,040**
Corporate income tax	(315)	(418)	(451)	(337)	(204)	(277)	(237)	(310)
NET PROFIT	**1,147**	**988**	**1,070**	**866**	**782**	**726**	**870**	**730**
Minority interests	(68)	(73)	(72)	(50)	(44)	(52)	(51)	(39)
NET ATTRIBUTABLE PROFIT	**1,079**	**914**	**998**	**815**	**739**	**674**	**819**	**691**

Similarly, given that all the revenues of the income statement showed an increase above the 13.1% by which average total assets (ATA) rose, the ratio with respect to assets managed by the Group rose with respect to 2004 in all of them. Thus, operating profit implied 1.87% of the ATAs (1.74% in the previous year) and ROA (net profit on ATAs) reached 1.12%, as against 0.97% in 2004.

CONSOLIDATED INCOME STATEMENT
(Expressed as a % of ATA)

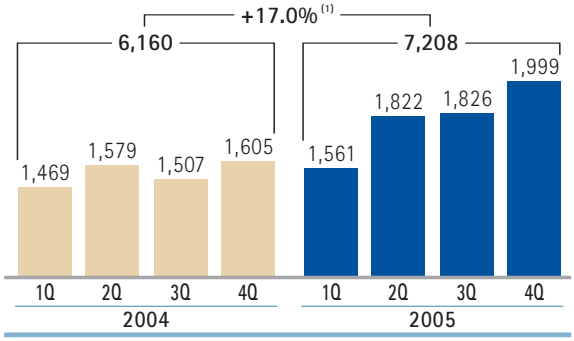
	2005	2004
Core net interest income	1.90	1.83
Dividends	0.08	0.08
NET INTEREST INCOME	**1.98**	**1.91**
Net income by the equity method	0.03	0.03
Net fee income and insurance activities	1.22	1.18
CORE REVENUES	**3.23**	**3.13**
Net trading income	0.35	0.33
ORDINARY REVENUES	**3.58**	**3.46**
General administrative expenses	(1.58)	(1.58)
Depreciation, amortization and others	(0.12)	(0.13)
OPERATING PROFIT	**1.87**	**1.74**
Impairment losses on financial assets (net)	(0.23)	(0.30)
Provisions (net)	(0.12)	(0.26)
Other income/losses (net)	0.02	0.11
PRE-TAX PROFIT	**1.54**	**1.29**
Corporate income tax	(0.42)	(0.32)
NET PROFIT	**1.12**	**0.97**
Minority interests	(0.07)	(0.06)
NET ATTRIBUTABLE PROFIT	**1.05**	**0.91**
MEMORANDUM ITEM:		
Average total assets (million euros)	**364,055**	**321,827**

NET INTEREST INCOME

Net interest income for the year came to €7,208m, up 17% from the €6,160m recorded in 2004. Excluding dividends, net interest income for the year grew 17.1% (6.9% in the first quarter, 11.6% for the first half and 14.5% for the first nine months) to €6,915m. Dividends accounted for €292m, an increase of 14.6%, with higher levels in the second and fourth quarters in both years.

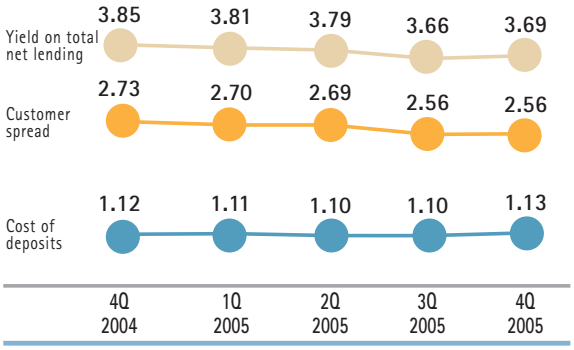
In the domestic market, low interest rates led to a reduction in the customer spread (yield on loans less cost of deposits) over the first three quarters, during which, whereas the cost of deposits remained relatively stable at around 1.10%, yield on loans fell slightly. However, the customer spread in the fourth quarter was 2.56%, which was unchanged from the previous quarter. The higher average cost of

Net interest income
(Million euros)



(1) At constant exchange rates: +15.7%.

Customer spread (Domestic)
(Percentage)



deposits (due to a greater amount in time deposits) absorbed the higher yield on loans following a rebound in interest rates. In terms of the whole year, the decline in customer spreads fell from 2.81% for the whole of 2004 down to 2.63% in 2005.

In this context, the Retail Banking in Spain and Portugal business area and the units making up Wholesale Banking (Global Corporate Banking and Institutional Banking) offset the narrowing of profit margins with growth in lending and fund volume (17.6% and 4.5% for loans and deposits from other resident sectors respectively) and active price management, which resulted in increases in net interest income of 5.6% in Retail Banking and 4.6% in Wholesale Banking.

Spreads increased in the Americas. This was especially true of Mexico, where the difference between yield on loans and cost of deposits in pesos grew from 11.22% in the fourth quarter of 2004, and continued to grow by 11.87% in the last quarter of 2005. This was a consequence, on the one hand, of the climbing trends of interest rates during 2004 and the first half of 2005, which resulted in average rates being higher throughout 2005 than in the previous year (9.6% in the TIIE, as opposed to 7.2% in 2004), and, on the other, of price management, which meant customer spreads could continue to rise in the second half of 2005, despite the drop in interest rates after August. In consequence and with the significant growth in business, concentrated in the more profitable forms (consumer loans and credit cards and cash and cash equivalents), BBVA Bancomer showed an increase in net interest income of 34.9% in pesos (+39.7% in euro). In the Group's other banks in the Americas, net interest income rose by 22.2%, and the whole of the area recorded a growth of 32.6% (29.4% at constant exchange rates).

ORDINARY REVENUES

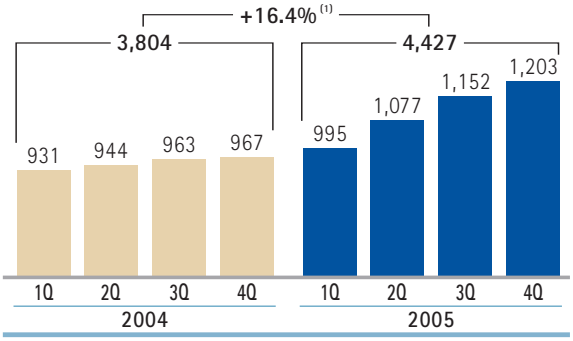
Net fee income in 2005 was €3,940m, up 15.4% on the €3,413 m of the previous year, while insurance business yielded another €487m, up 24.7% on the €391 m of 2004. Together, these two items came to €4,427m in 2005, a year-on-year increase of 16.4%, after tracing an upward curve throughout the year.

The three business areas showed favourable trends in this aspect, as a consequence of the higher levels of activity recorded in all of them. Thus, fee income and insurance rose to 10.2% in Retail Banking in Spain and Portugal, 19.2% in Wholesale and Investment Banking (with positive trends in both wholesale business and markets business) and 20.5% in the Americas, with Mexico's growth of 26.1% being of particular significance.

Net income by the equity method, mainly from Banca Nazionale del Lavoro (BNL) and Corporación IBV, came to €121m, an increase of 25.2% on the €97m obtained in 2004.

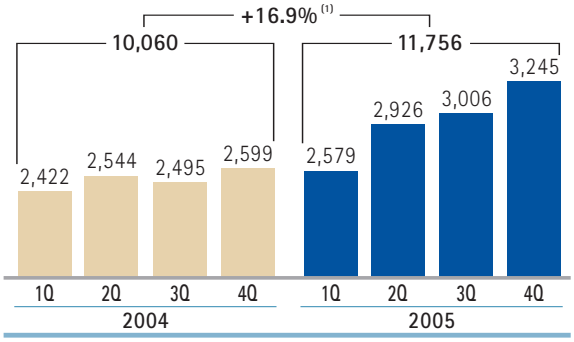
Core revenues, which are the aggregate of net interest income, net fee income and

Fee income + Insurance
(Million euros)



(1) At constant exchange rates: +14.6%.

Core revenues
(Million euros)



(1) At constant exchange rates: +15.4%.

insurance and net income by the equity method, came to €11,756m for the year. This is a year-on-year increase of 16.9%.

Net trading income in 2005 came to €1,267m, an increase of 19.6% on the previous year. The main contributions came from the Markets unit, the Americas (mainly Mexico and Argentina), Industrial and Financial holdings, and from the Retail and Wholesale and Investment banking areas following greater efforts in the distribution of cash management products.

Core revenues and net trading income make up the ordinary revenues, which come to €13,024m, a year-on-year increase of 17.1%, a rate that followed an upward curve throughout the year, just like the other revenues, from 8.1% in the first quarter, rising to 11.6% in the first half and finally reaching 14.3% in the first nine months of the year.

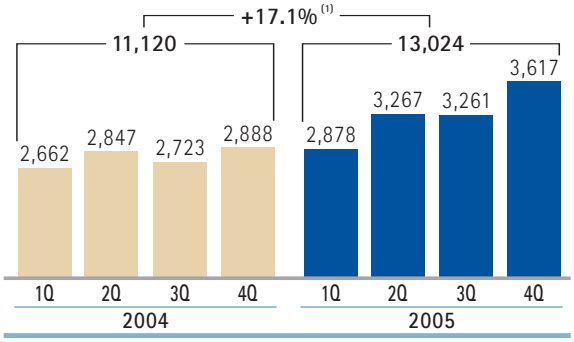
After adding €126m of net sales from non-financial activities, among which of particular relevance are those generated by the real estate business in the Wholesale and Investment Banking area, the Group's total revenues came to €13,149m, an increase of 16.9% on 2004.

OPERATING PROFIT

Compared to the increase in ordinary revenues, operating expenses advanced more moderately. Including depreciation, expenses came to €6,211m in 2005, which was 12.0% more than 2004 (personnel costs were up 10.9%, general expenses 16.7% and depreciation 0.1%), although this falls to 8.4% on a like-for-like basis (ie, excluding Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar). If the impact of exchange rates is taken into account, the figure would be 7.1%. Aggregate costs for domestic businesses increased 3.8% despite opening new offices and, in the Americas, they recorded an increase of 22.3%, being just 14.2% without the said additions and 11.1% on a like-for-like basis and at constant exchange rates. This was due to a significant increase in marketing activity in all countries.

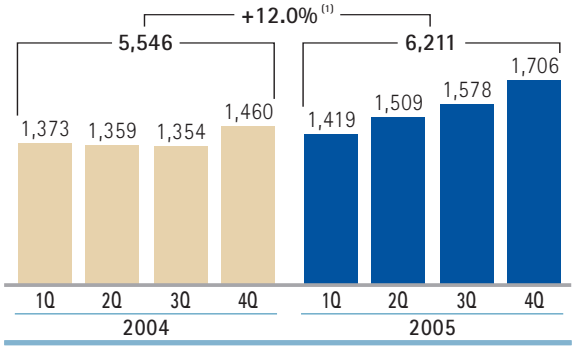
At the end of the year the Group's staff numbered 94,681, up 8.7% with 7,569 new employees. In Spain, the size of the workforce remained relatively stable, recording a net growth of 98 people with the hiring during the year of young graduates, partly linked to the plan for the opening of offices, to fewer

Ordinary revenues
(Million euros)



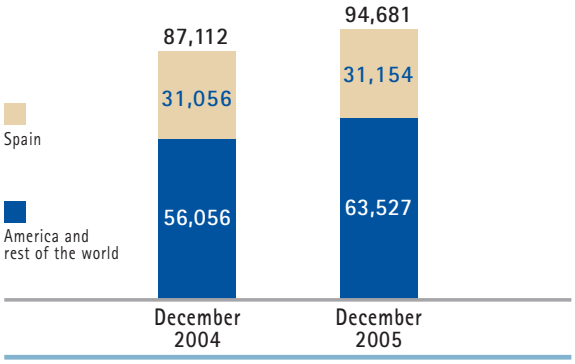
(1) At constant exchange rates: +15.7%.

General administrative expenses + depreciation & amortization (Million euros)

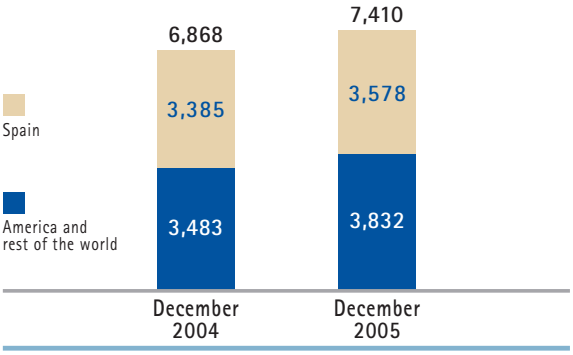


(1) At constant exchange rates: +10.7%.

Number of employees



Number of branches



discharges than in 2004, and fewer early retirements. The rise in staff numbers was therefore concentrated in the Americas and was mainly due to the new admissions to Grupo de Hipotecaria Nacional in Mexico, Laredo National Bancshares in the United States and Granahorrar in Colombia, which accounted for 5,489 new employees, as well as to greater marketing activity recorded in the region.

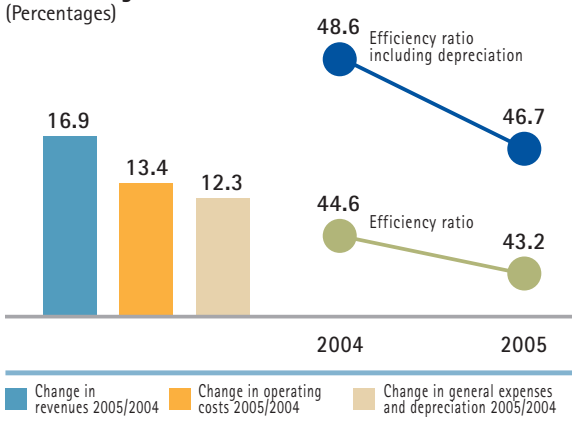
It must not be forgotten, however, that, with the application of International Financial Reporting Standards, companies formerly accounted for by the equity method, as well as other companies that were not included in the perimeter of consolidation due to their business activity, are now consolidated using the global integration method. This group of companies, whose income and running costs are listed, in accordance with current regulations, under their respective headings in the income statement, had a total of 2,974 employees as at 31-Dec-04 and 3,055 as at 31-Dec-05.

The Group's branch network likewise recorded an increase in size during the year, reaching a total of 7,410 outlets as at 31-Dec-05, as opposed to 6,868 offices at the close of 2004. 3,578 branches are in Spain, where there was a net increase of 193 over the entire year due to the expansion of Retail Banking and Dinero Express, 3,658 are in the Americas (355 more, which include the 308 offices of Hipotecaria Nacional, Laredo and Granahorrar added during the year) and 174 in the rest of the world.

As the 16.9% increase in operating revenues (ordinary revenues plus non-financial activities) exceeds the increase of 13.4% in administrative expenses net of recovered costs, the cost/income ratio improved to 43.2% (44.6% in 2004). Including depreciation (the usual procedure in international comparisons), the increase in costs is 12.3% and the cost/income ratio, 46.7%. This is an improvement of 1.9 percentage points over the 2004 ratio of 48.6%. With the efficiency ratio reached in the year, BBVA once again proves to be the most efficient of the large financial groups in the euro zone.

It should be noted that in 2005 all the Group's business areas improved their efficiency ratios. In effect, including depreciation, Retail Banking in Spain and Portugal showed a ratio of 43.3%, an improvement of 2.3 percentage points on the 45.6% of 2004, Wholesale and Investment Banking reached 29.7% (3.5 percentage points up on the 33.2% of the previous year) and the Americas recorded

Efficiency
(Percentages)



EFFICIENCY
(Million euros)

	2005	Δ%	2004
Ordinary revenues	13,024	17.1	11,120
Net revenues from non-financial activities	126	(0.6)	126
TOTAL REVENUES	**13,149**	**16.9**	**11,247**
Personnel costs	(3,602)	10.9	(3,247)
General expenses	(2,160)	16.7	(1,851)
Recovered expenses	76	(9.7)	84
GENERAL ADMINISTRATIVE EXPENSES (NET)	**(5,687)**	**13.4**	**(5,014)**
EFFICIENCY RATIO (Costs/revenues, %)	**43.2**		**44.6**
Depreciation and amortization	(449)	0.1	(448)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	**(6,135)**	**12.3**	**(5,462)**
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	**46.7**		**48.6**

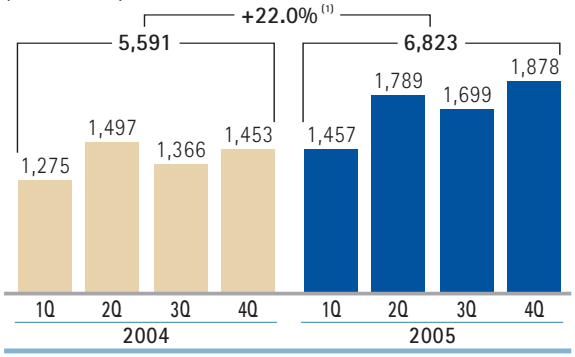
46.4%, improving 2.3 percentage points with respect to the 48.7% of 2004 (40.6% in Mexico, showing an advance of 3.7 percentage points).

After deducting expenses (including depreciation) and the net cost of other products and charges from ordinary revenues, in 2005 operating profit came to €6,823m and this was a year-on-year increase of 22.0% compared to €5,591m recorded in 2004. Operating profit showed a clear upward trend throughout the year, as a year-on-year increase of 14.3% was recorded in the first quarter, the year-on-year growth in the second slack quarter was 19.5%, for the third quarter it was 24.4% and for the fourth, 29.3%.

All three business areas recorded notable increases: 13.1% in Retail Banking in Spain and Portugal, 33.9% in Wholesale and Investment Banking, and 35.4% in the Americas (46.2% in Mexican banking).

After eliminating the impact of exchange rates, not so significant as in former years, operating profit for the Group climbed 20.7% (31.9% in the Americas). On a like-for-like basis (ie, excluding contributions from Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar) the increases would be 20.7% for the combined

Operating profit
(Million euros)



(1) At constant exchange rates: +20.7%.

Group and 32.3% for the Americas (19.3% and 28.8%, respectively, at constant exchange rates). In all cases growth was substantial, reflecting the considerable strength of BBVA's recurrent earnings.

PROVISIONS AND OTHERS

€813m was set aside for loan provisioning for the whole year, 3.7% more than in 2004. In the domestic market, total provisions fell and they now mainly consist of generic provisions, given the low level of non-performing loans. Generic provisions continue at the maximum level that was reached at the end of 2004. The increase in

the Americas was 15.7% (9.8% at constant exchange rates). It rose steadily during the year, commensurate with the high rate of growth in lending. Furthermore, other provisions for asset impairment declined significantly compared to 2004 (when the entire goodwill of €193m associated with BNL was written off in the fourth quarter).

Transfers to provisions for the full year were €454m. This was 46.6% less than in 2004, due basically to lower early retirement costs (€286 m in 2005 as opposed to €572 m in 2004).

Finally, the net result of other gains and losses contributed €77m, compared to €355m in 2004. The decrease arises mainly in the sale of holdings. In 2005, which saw no significant disposals, this item contributed €29m against the €308m obtained in 2004. The latter figure was generated by capital gains on the sale of BBVA's interest in Banco Atlántico (€218m), Direct Seguros (€26m), Grubarges (€19m), Vidrala (€20m), the Crecer pension manager and insurance companies in El Salvador (€14m).

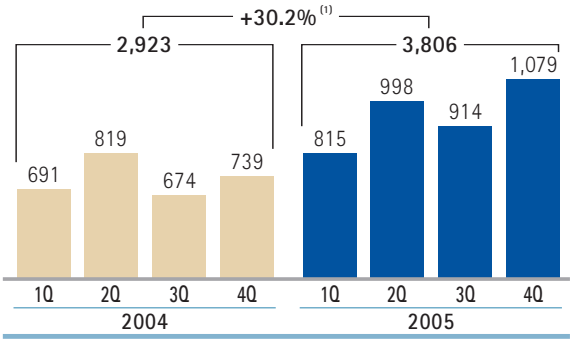
PROFIT AND ITS DISTRIBUTION

After deducting provisions and similar items from operating profit, pre-tax profit in 2005 came to €5,592m with a year-on-year increase of 35.2% on the €4,137m obtained in 2004. After deducting €1,521m for corporate tax, net profit was €4,071m, an increase of 31.0%. Of this amount, €264m corresponds to minority interests (€186m in 2004).

Thus, the net attributable profit for the Group came to €3,806m, an increase of 30.2% on the €2,923m obtained in 2004. This figure is the highest ever obtained by BBVA and is the result of growing trends throughout the year. Indeed, profit in the first quarter showed a year-on-year increase of 18%, that of the second quarter recorded was 21.8%, that of the third quarter, 35.7% and that of the fourth quarter amounted €1,079m. Moreover, this last quarter was up 46% on that of 2004, and recorded the highest figure in the history of BBVA, topping the €1 billion mark for the first time.

Just as can be appreciated in the operating profit, the three business areas made a significant contribution to the Group's net attributable profit and to its growth in the year. Retail Banking in Spain and Portugal

Net attributable profit
(Million euros)



(1) At constant exchange rates: +29.0%.

NET ATTRIBUTABLE PROFIT
(Million euros)

	2005	Δ%	2004
PRE-TAX PROFIT	5,592	35.2	4,137
Corporate income tax	(1,521)	47.9	(1,029)
NET PROFIT	4,071	31.0	3,108
Minority interests	(264)	42.3	(186)
NET ATTRIBUTABLE PROFIT	3,806	30.2	2,923
Dividends	1,801	20.1	1,499
Reserves	2,006	40.9	1,424

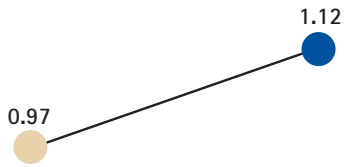
contributed €1,614m, showing a 13.1% year-on-end increase. Wholesale and Investment Banking contributed €592m (up 46.4%) and the Americas, €1,820m (up 52.3%), of which €1,191m corresponded to the banking business in Mexico (up 63.1%) and €629m to the rest of the region (up 35.4%). The increase in profit in the Americas was 48.7% (57.5% in Mexico and 34.5% in the rest of the region) at constant exchange rates. When also taking into account the impact of new additions to the Group, that is, on a like-for-like basis and at constant exchange rates, the increase was of 42%. Last of all, the Corporate Activities area recorded a loss of €219 m, as opposed to the €102m of 2004.

Earnings per share for 2005 came to €1.12, the highest figure ever obtained by BBVA and implying a rise of 29.5% on the €0.87 per share of 2004. This rise is slightly lower than that recorded by net attributable profit, as the share average for 2004 was affected by the share capital increase worth €1,999m carried out in February of the same year in order to finance the Bancomer takeover bid.

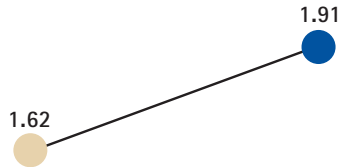
Return on equity (ROE) for the year rose to 37.0% compared to 33.2% in 2004, placing BBVA at the head of European financial groups in this profitability index. The return on total assets (ROA) also improved to 1.12% (0.97% in 2004) and the return on risk-weighted average assets (RORWA) was 1.91% (1.62% in 2004).

The dividend to be paid against the 2005 profit that the board of directors proposes for its approval by the General Shareholders

ROA
(Percentage)

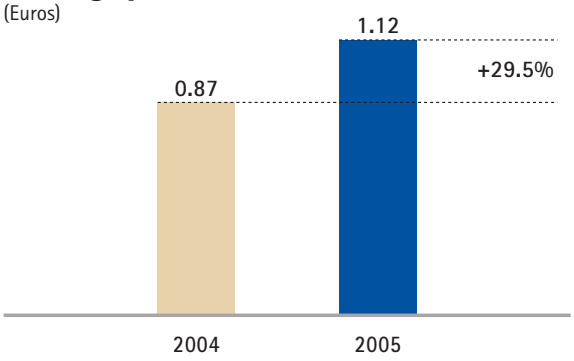


RORWA
(Percentage)

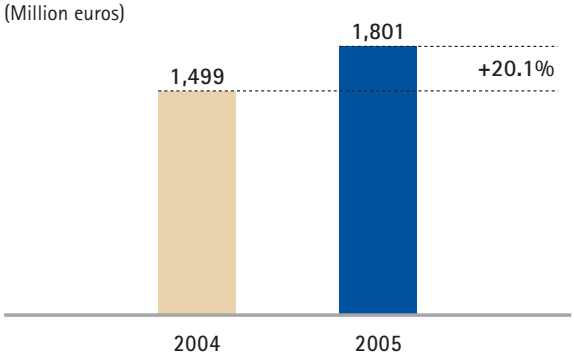


Meeting amounts to €0.531 per share, implying an increase of 20.1% on the €0.442 paid against the 2004 profit. This dividend per share figure means that the total amount to be distributed to the shareholders is €1,800.5m (a 20.1% increase on the 2004 figure of €1,499m). The pay-out ratio thus stands at 47.3%, while the remaining €2,006m in net attributable profit will be earmarked for reserves.

Earnings per share
(Euros)



Total dividends
(Million euros)



Balance sheet and business activity

- Lending to customers
- Customer funds
- Other balance-sheet items

Throughout 2005, the BBVA Group has confirmed the acceleration in business volume and growth observed the prior year in both Spain and the Americas. Coupled with an exchange rate effect that has been positive for the first time in recent years, this has meant significant year-on-year growth in the main business indicators: 25.9% in customer lending and 22.4% in customer funds, rates that have likewise recorded growth from one quarter to the next.

Lending in Spain has been extremely vigorous throughout the year, driven by mortgages and the SME and retailer segments, whilst growth in customer funds has been based largely on mutual and pension funds.

High growth rates in lending have also been recorded in all the other countries in which the Group is active, even when allowance is made for exchange rates and the enlargement of the perimeter; whereas the most active sources of customer funds have been current and savings accounts and mutual and pension funds.

As in previous years, another significant feature has been the improvement in asset quality, in both Spain and the Americas. This, together with an increase in investment, has meant an evolution in non-performing loans that has led to a further reduction in the NPL ratio, with a corresponding increase in the NPL coverage level.

As mentioned earlier, after several years in which the depreciation of currencies in the Americas against the euro had a negative bearing on the statement in euros of the main business aggregates for Latin American subsidiaries (especially so in 2002 and 2003, albeit more moderately in 2004), in 2005 it was the euro that depreciated against the main currencies in the Americas: 20.2% against the Mexican peso, 25.1% against the Chilean peso, 18.9% against the Colombian peso, 15.5% against the US dollar, 12.8% against the Argentinean peso and 10.7% against the Peruvian sol. Accordingly, the observations made forthwith refer to variations at a constant exchange rate in those cases in which it is significant.

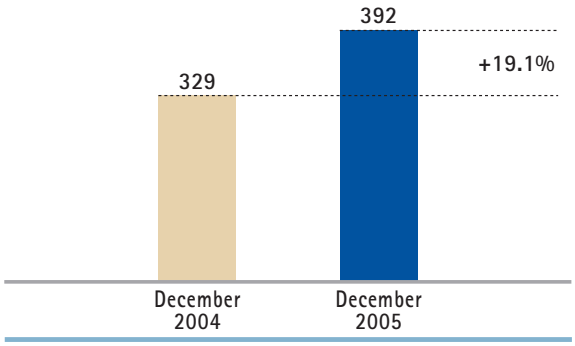
CONSOLIDATED BALANCE SHEET
(Million euros)

	31-12-05	Δ%	31-12-04
Cash and balances at Central Banks	12,341	21.9	10,123
Financial assets held for trading	44,012	(6.4)	47,036
Other financial assets at fair value	1,421	34.1	1,059
Financial assets available for sale	60,034	13.3	53,004
Loans and receivables	249,397	26.7	196,892
• Due from banks	27,470	64.5	16,703
• Loans to customers	216,850	26.0	172,083
• Other	5,076	(37.4)	8,106
Held to maturity investments	3,959	78.2	2,222
Investments in associates	1,473	5.3	1,399
Property, plant and equipment	4,383	11.3	3,940
Intangible assets	2,070	152.1	821
Other assets	13,299	2.7	12,945
TOTAL ASSETS	**392,389**	**19.1**	**329,441**
Financial liabilities held for trading	16,271	15.1	14,134
Other financial liabilities at fair value	740	(11.3)	834
Financial liabilities at amortised cost	329,505	19.6	275,584
• Deposits by Central Banks and banks	66,315	3.1	64,349
• Due to customers	182,635	21.8	149,892
• Marketable debt securities	62,842	38.2	45,482
• Subordinated debt	13,723	11.3	12,327
• Other	3,990	12.9	3,533
Liabilities under insurance contracts	10,501	29.4	8,114
Other liabilities	18,071	6.5	16,969
TOTAL LIABILITIES	**375,087**	**18.8**	**315,636**
Minority interests	971	31.7	738
Valuation adjustments	3,295	56.4	2,107
Shareholders' funds	13,036	18.9	10,961
EQUITY	**17,302**	**25.3**	**13,805**
TOTAL LIABILITIES AND EQUITY	**392,389**	**19.1**	**329,441**
MEMORANDUM ITEM:			
Contingent liabilities	29,862	38.5	21,558

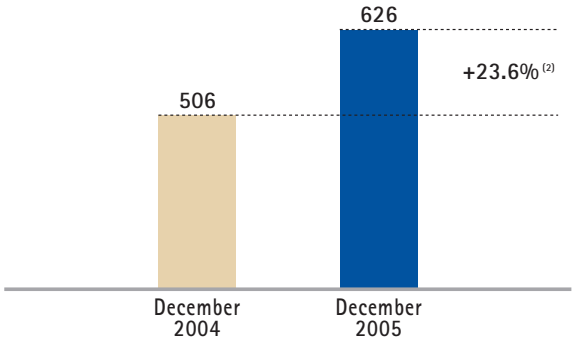
The BBVA Group's assets at year-end 2005 stood at €392 billion, 19.1% up on the €329 billion at year-end 2004.

Business volume, calculated as the sum of gross lending and total customer funds, approached €626 billion at year-end 2005, 23.6% up on the €506 billion recorded at year-end 2004. The depreciation of the euro against currencies in the Americas meant that, at constant exchange rates, the increase amounted to 18.5%. Within this aggregate, customer lending increased 25.9% (22.5% at constant exchange rates) and total customer funds, including on-balance-sheet customer

Total assets
(Billion euros)



Business volume (1)
(Billion euros)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rates: +18.5%.

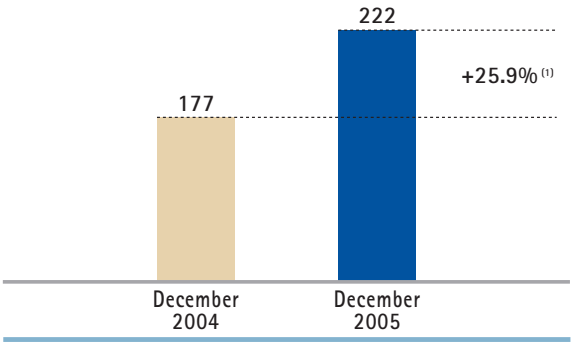
funds, mutual and pension funds and customer portfolios, rose 22.4% (16.4% at constant rates).

LENDING TO CUSTOMERS

At year-end 2005, total lending amounted to €222 billion, recording a 25.9% increase over the €177 billion at year-end 2004. The pace of year-on-year growth accelerated throughout the year: by the end of March lending had risen by 18.8%, the figure stood at 22.7% by the end of June and at 23.7% by the end of September, finally recording the aforementioned figure of 25.9% in December. The same trend has been recorded at constant rates: 19.6% in March, 21.5% in June, 22.2% in September and 22.5% at year-end 2005.

Given that lending to customers has grown more sharply than the total balance sheet, its weight on the same has risen to 55.3% at year-end 2005, as opposed to 52.2% at year-end 2004.

Total lending (gross)
(Billion euros)



(1) At constant exchange rates: +22.5%.

In accordance with new accounting standards, this line item on the balance sheet has again recorded the balances of the two securitisation operations undertaken in the fourth quarter of 2004, and removal has not been made of the balances securitised in 2005. The outstanding balance of these operations at year-end 2005 was €5,468m, being included in all the figures mentioned in this section. The only items that remain off the balance sheet, and are not included in the accompanying tables, are securitisations prior to 2004, whose balance at year-end 2005 was €1,587m.

Total lending of €222 billion at year-end 2005 was distributed as follows: €16 billion corresponded to the resident public sector, a segment in which the Group is the market leader in Spain, with a 4.3% increase over year-end 2004; €139 billion to other resident sectors, with year-on-year growth of 17.6%; €65 billion to non-residents with an increase of 59.4% in euros and 43.0% at constant rates; and the remaining €2 billion to non-performing loans, with a 6.6% increase that becomes a 1.5% drop at constant exchange rate.

The strengthening of currencies in the Americas, the new acquisitions made (Hipotecaria Nacional in Mexico, Laredo National Bancshares in the United States and Granahorrar in Colombia), the sharp growth in lending in Mexico and other Latin American countries, within the framework of a more favourable economic climate in the region, and the major growth in the international corporate banking business, have meant that non-resident

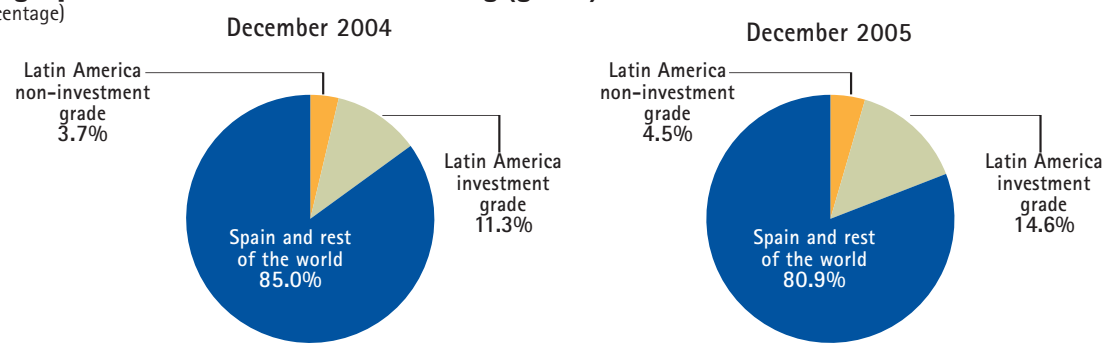
TOTAL LENDING
(Million euros)

	31-12-05	Δ%	31-12-04
Public sector	16,088	4.3	15,425
Other domestic sectors	139,232	17.6	118,421
• Secured loans	79,128	22.5	64,617
• Commercial loans	12,671	37.3	9,231
• Other term loans	38,273	6.2	36,036
• Credit card debtors	1,237	16.0	1,067
• Other	1,694	(25.8)	2,284
• Financial leases	6,229	20.1	5,186
Non-domestic sector	64,747	59.4	40,625
• Secured loans	21,824	77.8	12,272
• Other loans	42,923	51.4	28,353
Nonperforming loans	2,346	6.6	2,202
• Public sector	121	13.5	107
• Other domestic sectors	795	(9.7)	880
• Non-domestic sectors	1,430	17.7	1,215
TOTAL LENDING (GROSS)	**222,413**	**25.9**	**176,673**
Loan loss provisions	(5,563)	21.2	(4,590)
TOTAL NET LENDING	**216,850**	**26.0**	**172,083**

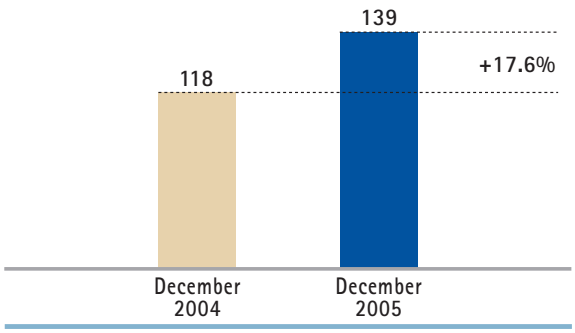
loans, which had been losing ground in the Group's overall total in recent years, increased their share. At year-end 2005, they accounted for 29.8% of total lending (against 23.7% at year-end 2004). Resident loans (public sector and other sectors) accounted for the remaining 70.2% (76.3% at year-end 2004).

At year-end 2005, lending in Latin American countries amounted to 19.1% of the Group's total, as opposed to the 15.0% recorded at year-end 2004. Given that the greater share corresponded to Mexico, Chile and Puerto Rico – investment grade countries – accounting for 14.6% of the total (11.3% at year-end 2004), only 4.5% of the Group's lending was located in countries with a below investment grade rating at year-end 2005 (3.7% at year-end 2004). Lending in Spain and the rest of the world accounted for 80.9% of the total at year-end 2005 (85% one year earlier).

Geographical breakdown of total lending (gross)
(Percentage)



Total lending to other domestic sectors (gross) (Billion euros)

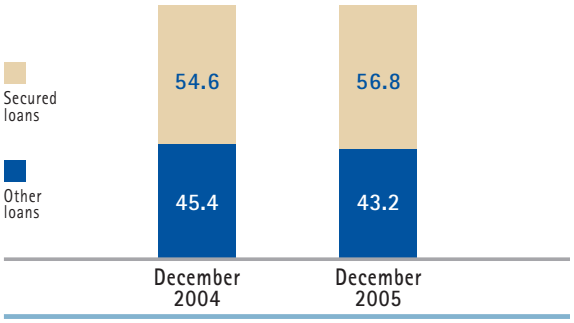


Lending to other resident sectors, which have maintained steady growth throughout the year, recorded a balance at year-end 2005 of €139 billion, 17.6% up on the €118 billion at year-end 2004.

As in prior years, the main source of growth has been secured loans, amounting to €79 billion, an annual increase of 22.5%, in turn supported by open-market home buyers, rising at levels close to 23%. The figure for Vivienda de Protección Oficial (subsidised housing programmes) remained virtually unchanged. This trend means that secured loans increased their share of total lending in detriment to other resident sectors, accounting for 56.8%, as opposed to the 54.6% recorded at year-end 2004.

There has also been a significant trend in retail credit (up 37.3%) and leasing (up 20.1% in 2005, thereby recording four years in a row of above 20% growth). This reflects the high level of lending to SMEs and small businesses by the retail banking area (up by more than 22%), which has become the other driving force, together with mortgage loans, behind the growth in resident lending. Regarding all other types of lending, other term loans were up 6.2% and credit card loans increased 16.0%.

Detail of total lending to other domestic sectors (gross) (Percentage)



Non-resident loans surged to €65 billion at year-end, 59.4% up on the €41 billion recorded at year-end 2004. Even without the exchange rate effect, the increase is 43.0%. On a like-for-like basis, ie, deducting the €6 billion contributed by Hipotecaria Nacional, Laredo National Bancshares and Granahorrar, which joined the Group in 2005, the increases are 43.9% at current exchange rates and 29.1% at constant rates. There has been an upward trajectory throughout the year, as by the end of March the increases were 18.8% in euros and 22.3% at constant rates.

These developments are the result of the good performances by international corporate banking, up 65.7%, and the significant growth in the majority of the subsidiary banks in Latin America, within a favourable economic environment. Lending in Mexico rose 50.2% in pesos (21.8% without Hipotecaria Nacional), driven by consumer finance, credit cards, housing loans and lending to SMEs. Highlights elsewhere in Latin America were the increases, in local currency, of 64.1% in Venezuela, 33.2% in Peru, 21.8% in Colombia (without Granahorrar), 19.2% in Chile and 18.5% in Puerto Rico.

The major growth recorded in lending in 2005 had no negative bearing on asset quality, which has meant further improvements in NPL and coverage rates, both in the Group as a whole and in all its business areas, consolidating the BBVA Group's leadership amongst major European banks in these two indices.

The figure for NPL at year-end 2005 stood at €2,346m, up 6.6% on the €2,202m recorded at year-end 2004, although at a constant exchange rate it fell by 1.5%. Including contingent liabilities, total NPL amounted to €2,382m, up 6.0% on the €2,248m recorded at year-end 2004. Nonetheless, if account is taken of the incorporation impacts of Hipotecaria Nacional,

VARIATIONS IN NON-PERFORMING ASSETS

(Million euros)

	4Q 05	3Q 05	2Q 05	1Q 05	4Q 04
BEGINNING BALANCE [1]	**2,299**	**2,264**	**2,219**	**2,248**	**2,436**
Net variation	**83**	**35**	**45**	**(29)**	**(188)**
• Entries	622	520	406	395	481
• Outflows	(455)	(357)	(340)	(379)	(394)
• Write-offs	(228)	(155)	(133)	(151)	(181)
• Exchange rate differences and other	144	27	112	106	(94)
PERIOD-END BALANCE [1]	**2,382**	**2,299**	**2,264**	**2,219**	**2,248**
MEMORANDUM ITEM:					
• Non-performing loans	2,346	2,256	2,215	2,179	2,202
• Non-performing contingent liabilities	36	43	49	40	46

(1) Including contingent liabilities.

Laredo National Bancshares and Granahorrar and the appreciation of currencies in the Americas against the euro, the net variation in NPL on a like-for-like basis and at constant exchange rate recorded a significant decrease. By business areas, NPL decreased in Retail Banking in Spain and Portugal, in Wholesale and Investment Banking and in the Americas (on a like-for-like basis and at constant exchange rate).

This trend in NPL, combined with a 27.3% year-on-year growth in total risk exposure (including contingent liabilities), up to €252 billion, means that the Group's doubtful loans ratio, defined as doubtful loans (+ doubtful contingent liabilities) to total gross loans exposure, fell to 0.94% at year-end 2005, as opposed to the 1.13% recorded at year-end 2004, after a downward evolution from one quarter to the next. This, in turn, was a follow-on from prior years. The NPL ratio, defined as doubtful loans to total gross loans, has fallen to 1.05%, as opposed to 1.25% at year-end 2004, and in Spain there has also been

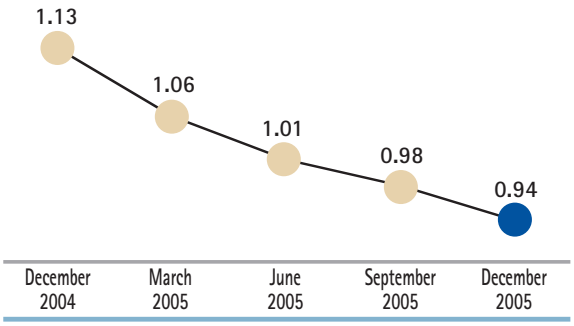
CREDIT RISK MANAGEMENT

(Million euros)

	31-12-05	Δ%	31-12-04
TOTAL RISK EXPOSURE [1]			
Non-performing assets	2,382	6.0	2,248
Total risks	252,274	27.3	198,230
Provisions	6,015	21.8	4,939
NPL ratio (%)	0.94		1.13
NPL coverage ratio (%)	252.5		219.7
MEMORANDUM ITEM:			
Foreclosed assets	363	12.2	324
Foreclosed asset provisions	170	(2.0)	173
Coverage (%)	46.8		53.6

(1) Including contingent liabilities.

Non-performing loan ratio
(Percentage)



a reduction of 0.57% in lending to other resident sectors at year-end 2004, as opposed to 0.74% at year-end 2004.

All business areas, by combining growth in lending with a reduction in NPL (except for the increase in the Americas for the aforementioned reasons), record drops in the NPL ratio, which at year-end 2005 stood at 0.62% in Retail Banking in Spain and Portugal (0.82% the previous year), 0.18% in Wholesale and Investment Banking (0.30% at year-end 2004) and 2.67% in the Americas (3.44% at year-end 2004). This was due to a 2.34% drop in Mexico and 3.26% in the remainder of banks in the region (2.94% and 4.43%, respectively, the prior year).

Loan loss provision amounted to €6,015m at year-end 2005, recording a year-on-year increase of 21.8%. This was far higher than the growth in NPL, whereby the NPL coverage ratio stood at 252.5%, as opposed to 219.7% at year-end 2004. Maximum generic coverage (1.25 alfa), reached at year-end 2004, was maintained through to the end of 2005. All business areas recorded increases in the NPL coverage rate, to 315.7% in Retail Banking in Spain and Portugal (249.1% at year-end 2004), 728.7% in Wholesale and Investment Banking (480.2%) and 183.8% in the Americas (173.5% the previous year).

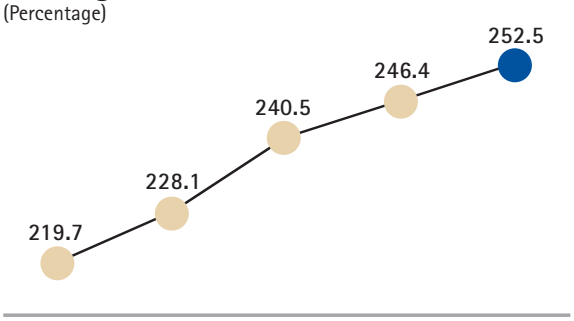
CUSTOMER FUNDS

Total customer funds managed by the Group, including funds both on and off the balance sheet (mutual funds, pension funds and customer portfolios), amounted to €403 billion at year-end 2005, 22.4% up on the €329 billion at year-end 2004. Following a similar pattern to lending, year-on-year growth grew from one quarter to the next (8.2% at 31-Mar-05, 18.6% at 30-Jun-05 and 19.4% at 30-Sep-05). At a constant exchange rate, the annual increase stood at 16.4%, whereas by the end of March the increase was 9.6%.

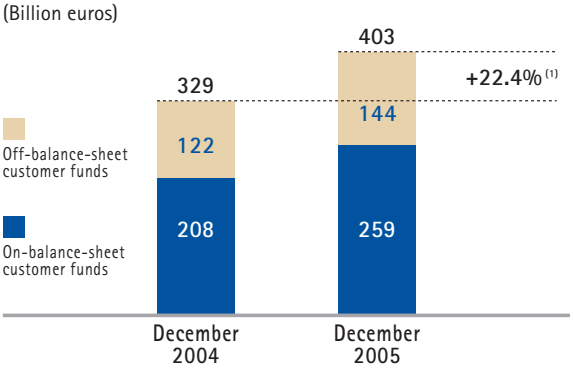
On-balance-sheet funds amounted to €259 billion, 24.8% up on the €208m at year-end 2004 (19.8% at constant exchange rates), and off-balance-sheet funds accounted for the remaining €144 billion, an increase of 18.4% over the €122 billion at year-end 2004 (10.7% at constant exchange rates).

Amongst on-balance-sheet funds, customer deposits accounted for €183 billion, recording a year-on-year increase of 21.8%. Within this aggregate, public sector debits approached €10 billion, doubling the figure for year-end 2004. Without considering the amounts assigned in Treasury liquidity auctions, the increase in this

Coverage ratio
(Percentage)



Customer funds
(Billion euros)



(1) At constant exchange rates: +16.4%.

CUSTOMER FUNDS
(Million euros)

	31-12-05	Δ%	31-12-04
ON-BALANCE-SHEET CUSTOMER FUNDS	**259,200**	**24.8**	**207,701**
DEPOSITS	**182,635**	**21.8**	**149,892**
Public sector	9,753	100.6	4,861
Other domestic sectors	79,755	6.5	74,858
• Current accounts	20,645	(3.0)	21,293
• Savings accounts	20,629	13.1	18,236
• Time deposits	20,435	4.6	19,538
• Assets sold under repurchase agreement	12,029	(3.8)	12,503
• Other	6,017	83.0	3,288
Non-domestic sector	93,127	32.7	70,173
• Current and savings accounts	35,118	36.1	25,812
• Time deposits	47,814	19.7	39,942
• Assets sold under repurchase agreement and other accounts	10,195	130.7	4,419
MARKETABLE DEBT SECURITIES	**62,842**	**38.2**	**45,482**
Mortgage bonds	26,927	41.4	19,037
Other marketable securities	35,915	35.8	26,445
SUBORDINATED DEBT	**13,723**	**11.3**	**12,327**
OTHER CUSTOMER FUNDS	**143,887**	**18.4**	**121,553**
Mutual funds	59,002	15.5	51,083
Pension funds	53,959	30.1	41,490
Customer portfolios	30,926	6.7	28,980
TOTAL CUSTOMER FUNDS	**403,087**	**22.4**	**329,254**

line was limited to 65.7%. Debits to other resident sectors amounted to €80 billion (up 6.5%), of which €62 billion corresponded to deposits (up 4.5%), €12 billion to assets sold under repurchase agreements (down 3.8%) and €6 billion to counterparty deposits for asset securitisations and valuation adjustments. Debits to non-residents accounted for the remaining €93 billion (up 32.7%).

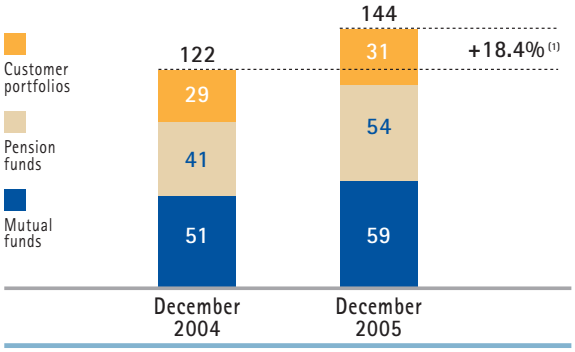
Marketable debt securities amounted to €63 billion, up 38.2% on the €45 billion at year-end 2004. Of this amount, €27 billion corresponded to mortgage bonds, which increased 41.4% through the mortgage-covered bonds issued during the year, and €36 billion to all other marketable securities (up 35.8%). Finally, subordinated debt (a line item that includes subordinated debt itself and preferred shares) was close to €14 billion, with a year-on-year increase of 11.3%.

Off-balance-sheet funds (mutual funds, pension funds and customer portfolios) amounted to €144 billion, with a year-on-year increase of 18.4% (10.7% at a constant exchange rate). Of this amount, €76 billion corresponded to Spain (up 9.8% on the €69 billion at year-end 2004), with €46 billion in mutual funds (up 9.8%), €15 billion in pension funds (up 11.8%) and the remaining €14 billion in customer portfolios (up 8.1%). The funds gathered in other countries amounted to €68 billion, following a 29.6% increase at current exchange rates (11.8% at constant rates), broken down as follows: €39 billion in

OTHER CUSTOMER FUNDS
(Million euros)

	31-12-05	Δ%	31-12-04
SPAIN	**75,799**	**9.8**	**69,006**
MUTUAL FUNDS	**46,340**	**9.8**	**42,212**
Mutual Funds (ex Real Estate)	44,507	8.4	41,070
• Money market	13,871	15.4	12,019
• Fixed-income	14,138	4.0	13,592
Of which: Guaranteed	7,765	(2.5)	7,963
• Balanced	2,064	(15.6)	2,444
• Equity	13,586	7.8	12,606
Of which: Guaranteed	9,960	3.7	9,606
• Global	848	107.5	409
Real Estate investment trusts	1,833	60.5	1,142
PENSION FUNDS	**15,091**	**11.8**	**13,501**
Individual pension plans	8,395	14.7	7,320
Corporate pension funds	6,696	8.3	6,181
CUSTOMER PORTFOLIOS	**14,368**	**8.1**	**13,293**
REST OF THE WORLD	**68,088**	**29.6**	**52,547**
Mutual funds	12,662	42.7	8,871
Pension funds	38,868	38.9	27,989
Customer portfolios	16,558	5.6	15,687
OTHER CUSTOMER FUNDS	**143,887**	**18.4**	**121,553**

Other customer funds
(Billion euros)



(1) At constant exchange rates: +10.7%.

pension funds (up 38.9%), €16.6 billion in customer portfolios (up 5.6%) and €12.7 billion in mutual funds (up 42.7%).

There follows an analysis of the trend in the funds managed in the main markets in which the Group is active. In the Spanish market, the aggregate consisting of the deposits from other resident sectors (excluding assets sold under repurchase agreements and other similar accounts) plus mutual and pension funds amounted to €123 billion at year-end 2005, with a year-on-year increase of 7.3%, driven mainly by mutual and pension funds.

Deposits grew 4.5% in the year, amounting to almost €62 billion. Current and savings accounts grew 4.4%, to €41.3 billion (€20.6 billion in current accounts and a similar figure in savings accounts), while time deposits grew 4.6%, amounting to €20.4 at year-end 2005.

When mutual and pension funds gathered in Spain are added to this figure for time deposits, stable funds amount to almost €82 billion, up 8.8% on year-end 2004.

Mutual funds grew 9.8% to €46.3 billion, of which €44.5 billion are financial (up 8.4%) and €1.8 billion belong to *BBVA Propiedad* real estate funds (up 60.5%). BBVA was the fund manager with the highest net subscriptions to funds in 2005, with highlights being the launch of *Carteras Gestionadas*, attracting over 24,000 customers, with assets of €1.4 billion in mutual funds.

Finally, in pension funds, a business in which BBVA upheld its leadership in Spain with a market share of 18.9% at year-end 2005, the total sum of assets managed amounted to €15 billion, with a year-on-year increase of 11.8%. Private plans accounted for €8.4 billion, growing by 14.7% thanks to the widespread popularity of the *BBVA Protección* pension plans launched in 2004. Corporate pension funds accounted for the remaining €6.7 billion, with a year-on-year increase of 8.3%.

In the non-resident sector, the sum of deposits (excluding assets sold under repurchase agreements and similar accounts) plus mutual and pension funds amounted to €134 billion, with year-on-year increases of 31.0% at current exchange rates and 14.7% at constant rates. On a like-for-like basis (excluding the funds contributed by Laredo National Bancshares, Hipotecaria Nacional and Granahorrar, accounting for €3.8 billion at year-end 2005), the increases were 27.4% at current rates and 11.5% at constant rates.

Current and savings accounts performed well during the year, amounting to €35 billion, following growth of 36.1% at current exchange rates and 19.5% at constant rates. These increases were especially significant given the contribution these lower-cost funds make to earnings. The different forms of stable funds performed as follows: time deposits accounted for €48 billion, with increases of 19.7% and 8.9% at current and constant exchange rates, respectively; pension funds, a business in which the BBVA Group leads the market in Latin America with a 25.1% market share, according to the latest data available, rose to €39 billion (up 38.9% and 14.8%); with mutual funds accounting for the remaining €13 billion, recording major growth in 2005, rising by 42.7% in euros and 25.8% in local currencies.

By countries, the funds managed by BBVA Bancomer in Mexico (deposits, network repos and mutual funds) rose 9.9% in pesos. Highlights elsewhere were the increases in local currency in Venezuela (40.9%), Peru (25.0%), Colombia (23.2% without Granahorrar) and Argentina (18.5%).

OTHER BALANCE-SHEET ITEMS

At the year-end, financial assets available for sale recorded growth of 13.3% due largely to the higher balance in ALCO portfolios, to the effect of currency appreciation against the euro and to the increased market value of equity portfolios. ALCO portfolios included under this heading grew €3,138m during the year, recording a balance of €26,412m in the year, with their purpose being to provide interest-rate risk hedging in the euro zone and in Mexico. The equity portfolio amounted to €9,062m, €1,096m up on year-end 2004, basically due to its greater market value, accounting for a large part of the growth in the line item for valuation adjustments included in equity.

Held-to-maturity investments consist of ALCO fixed-income portfolios over and above those mentioned above, with their purpose being interest-rate risk hedging.

The item of property, plant and equipment increased by 11.3% (below the 19.1% increase in total assets), due largely to the companies joining the Group during the year and to exchange rate differences.

Regarding intangible assets, the main item is goodwill, which at year-end 2005 amounted to €1,858m, €1,147m up on year-end 2004, of which €1 billion corresponded to the acquisitions made in the year and the remainder to the exchange rate effect on figures stated in currencies.

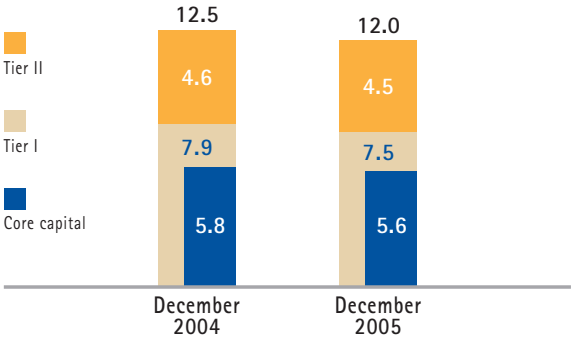
Capital base

BBVA's management of its capital base in financial year 2005 has enabled the Group to provide itself with the resources required to fund the growth of its business and the major investments made.

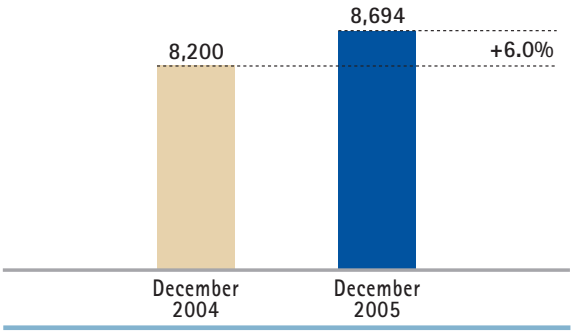
At the end of 2005 the BBVA Group's capital base came to €26,045m, calculated in accordance with the criteria of the Bank for International Settlements (BIS). This is 14.2% higher than at 31-Dec-04. After deducting base capital required under the above criteria (8% of risk-weighted assets) the surplus came to €8,694m (up 6.0% on 2004). Core capital accounts for 5.6% of risk-weighted assets and Tier 1 assets for 7.5%. The BIS ratio is 12.0%

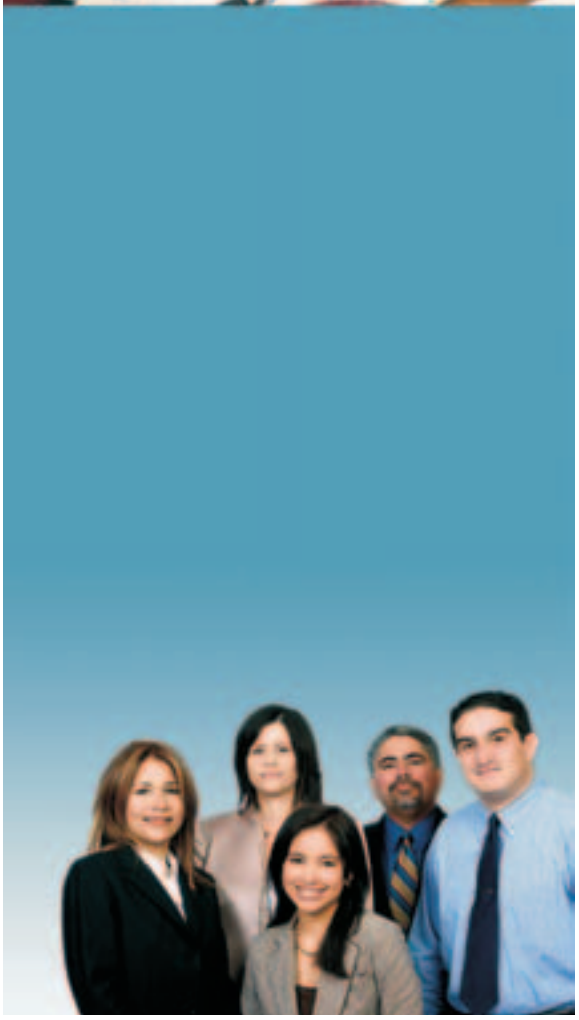
Risk-weighted assets in 2005 were up 18.7% on the figure for year-end 2004. This is due partly to considerable growth in the business of the Group and partly to the impact of the appreciation of Latin American currencies against the euro. Between them these factors led to an increase of 17% in risk-weighted assets.

Capital base: BIS ratio
(Percentage)



Capital surplus
(Million euros)





CAPITAL BASE (BIS REGULATION)
(Million euros)

	31-12-05	Δ%	31-12-04
Called-up share capital	1,662	-	1,662
Reserves	9,517	25.9	7,560
Minority interests	889	22.1	728
Deductions	(3,723)	64.7	(2,261)
Net attributable profit	3,806	30.2	2,923
CORE CAPITAL	**12,151**	**14.5**	**10,612**
Preference shares	4,128	8.4	3,809
CAPITAL (TIER I)	**16,279**	**12.9**	**14,421**
Subordinated debt	7,996	13.0	7,077
Valuation adjustments and other	2,563	26.8	2,022
Deductions	(793)	12.3	(706)
OTHER ELIGIBLE CAPITAL (TIER II)	**9,766**	**16.4**	**8,393**
CAPITAL BASE	**26,045**	**14.2**	**22,814**
Minimum capital requirement (BIS Regulation)	17,351	18.7	14,614
CAPITAL SURPLUS	**8,694**	**6.0**	**8,200**
MEMORANDUM ITEM:			
Risk-weighted assets	216,890	18.7	182,683
BIS RATIO (%)	**12.0**		**12.5**
CORE CAPITAL (%)	**5.6**		**5.8**
TIER I (%)	**7.5**		**7.9**
TIER II (%)	**4.5**		**4.6**

Furthermore, the acquisitions made during the year gave rise to new capital requirements. The addition to the Group of Hipotecaria Nacional in Mexico in January, Laredo National Bancshares in the USA in May and Banco Granahorrar in Colombia in December generated a €3,126m increase in risk-weighted assets and goodwill to the tune of €1 billion.

Net attributable profit in 2005 was up 30.2% year-on-year, enabling the Group to provide itself with the capital needed to offset its new capital requirements. This is compatible with the maintaining for another year of the upward trend in dividend per share, which is up 20.1% on the dividend distributed against profits in 2004. This puts dividend yield at 3.5%, and the pay-out at 47.3%.

Core capital came to €12,151m, a year-on-year increase of 14.5%. This was less than the 18.7% growth in risk-weighted assets and thus the ratio is now 5.6% compared to the figure of 5.8% recorded in December 2004. Excluding the acquisitions of the year which take out 0.6 points, core capital would stand at 6.2%. After adding preferred shares to core capital, Tier I rose to €16,279m, a year-on-year increase of 12.9%, accounting for 7.5% of risk-weighted assets (as compared to 7.9% at 31-Dec-04).

Other eligible capital, which mainly consists of subordinated debt and revaluation reserves,

was €9,766m at the end of 2005, a year-on-year increase of 16.4%. Thus Tier II was 4.5%, compared to 4.6% at 31-Dec-04. The BIS Ratio thus stands at 12.0%, compared to 12.5% at 31-Dec-04.

To optimise the structure and cost of the capital base, numerous amortisations were made, along with new issues of instruments eligible for the Group's capital base. In regard to preferred shares, April saw the early amortisation of series D preferred shares in BBVA Capital Funding (€256m, with a 6.35% coupon, originally 500 million Deutschmarks). In September BBVA International Preferred, a wholly-owned subsidiary of the Group, issued preferred shares to the tune of €550m for institutional investors in Europe. With these operations preferred shares at 31-Dec-05 account for 25.4% of the capital base, 1% up on 31-Dec-04.

Regarding subordinated debt, an issue of €13.6m (originally 30 million Dutch Guilder) matured during the year, as did a total of US$425m from four issues. Given market conditions, early cancellation was made of two further issues amounting to €750m and 3 billion Japanese yen. On the other hand, 2005 saw five new issues of subordinated debt for institutional investors in Europe: €500m maturing in October 2017, €150m maturing in October 2020, £300m maturing in October 2015 and 20 billion Japanese yen maturing in October 2035. BBVA Bancomer also issued capital notes for a face value of US$500m maturing in July 2015, with characteristics that, under BIS criteria, allow them to be classed as Tier II in the BBVA Group's capital base.

The number of shares in circulation did not change over the course of the year. On 14th June the Shareholders' General Meeting agreed to increase share capital by issuing a maximum of 531,132,133 shares to be handed over in consideration of the shares in BNL acquired via the takeover bid announced by BBVA on 29th March 2005. This increase fell through following BBVA's announcement on 22nd July that it was dropping its bid. 30th September 2005 saw the end of the programme for the buy-back of BBVA shares announced on 29th March to coincide with the takeover bid for BNL. This programme envisaged the acquisition of up to 3.5% of share capital via the company Corporación Industrial y de Servicios, SL, for a purchase price no higher than €14.5 per share. On completion of the programme, the said company had no shares left in its portfolio, so the amortisation of shares envisaged in the terms and conditions of the programme as per EC Regulation 2273/2003 did not go ahead.

Ratings

BBVA's ratings with the leading agencies were confirmed in 2005, so the Group continues to maintain one of the best ratings of any large Spanish bank or indeed any front-line bank in Europe.

The various agencies hold a positive opinion of the Group, and highlight the following as elements that support their ratings: BBVA's major franchise in Spain and Mexico, its financial strength and high levels of efficiency, yield, asset quality and solvency, and the prudence with which the Group is managed. They also place positive emphasis on the Group's risk profile and increasing capacity for generating recurrent results.

RATINGS

	Long term	Short term	Financial strength
Moody's	Aa2	P-1	B+
Fitch - IBCA	AA–	F-1+	B
Standard & Poor's	AA–	A-1+	–

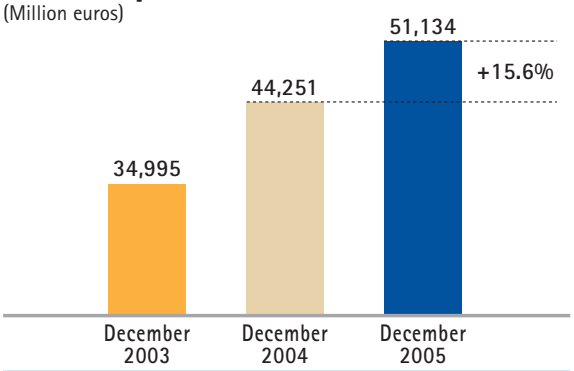
The BBVA share

The BBVA share price has appreciated by 15.6% in 2005, whereby it now accumulates three consecutive years of extremely positive gains (19.2% in 2004 and 20.1% in 2003), which testifies to the market's recognition and trust regarding BBVA's profitable growth strategy. The 65.4% gain recorded by BBVA over the past three years compares favourably with the Europe Stoxx Banks (62.0%) and the Stoxx 50 (39.1%). The share price of €15.08 at year-end 2005 means BBVA's market capitalisation amounted to €51,134m, a figure that is €6,883m up on year-end 2004.

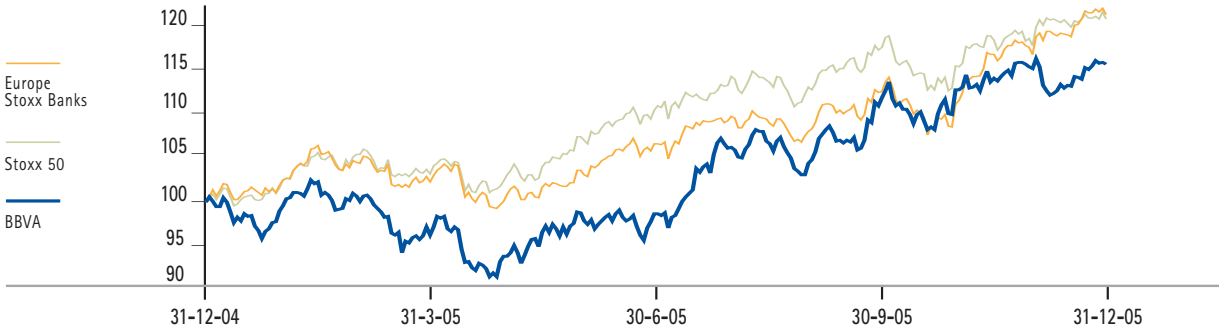
Despite the uncertainty caused by the trend in oil prices, the global economy continued to grow at a rapid pace in 2005, which has meant that the world's major stock markets ended the year with gains, albeit with different performances depending on the geographical region. The best performances have been recorded in emerging countries (MSCI Emerging Markets was up 30.3%), the European market (the Stoxx 50 gained 20.7%, with an 18.2% rise in the Ibex 35) and Japan (the Nikkei was up 40.2%), whereas the US market has performed somewhat more weakly (a 3% rise in the S&P 500).

The doubts that were expressed at the beginning of the year regarding the trend in earnings in the European banking industry have been assuaged throughout the year following the posting of positive results. This has led to a noticeable recovery in the sector during the second half of the year. Nevertheless, there has been a significant polarisation in the share prices of different banks, with a marked

Market capitalization
(Million euros)



Share price index
(31-12-04=100)



difference between the gains recorded by banks with the best performance and those with a less favourable one. Investors have looked favourably upon cases of restructuring, exposure to growth markets and the potential goals of corporate operations. Special mention should be made accordingly of the major gains made in 2005 by small banks as the potential targets of possible take-overs (Italian banks) or those exposed to growth markets (Greece or Ireland).

A highlight within this context has been the positive performance of the Spanish economy in 2005, growing by 2 points more than the European average, driven by the trend in business activity, employment and the increased wealth of companies and households alike.

Within this favourable scenario, the BBVA share benefited from the Group's continued progress in all its businesses, as reflected in the ever-higher earnings reported each quarter. Investors and analysts took a very favourable view of the quality and recurrence of BBVA's results and its risk control. They were especially positive about the Group's position in fast-growing markets such as Spain and Latin America. BBVA's cost-income ratio, asset quality, profitability and growth have made it one of the market's preferred European-bank investments. This has led analysts to significantly hike up their profit estimates and the target price for the share during this period, with the majority of the main market analysts issuing "buy" recommendations on BBVA.

Earnings per share have risen to €1.12 in 2005, with year-on-year growth of 29.5%. With a year-end closing price of €15.08 per share, the price-to-earnings ratio is 13.4 times. In turn, the book value per share amounts to €3.84 at year-end 2005 (as opposed to €3.23

THE BBVA SHARE

	31-12-05	31-12-04
Number of shareholders	984,891	1,081,020
Number of shares issued	3,390,852,043	3,390,852,043
Daily average number of shares traded	31,672,354	36,013,282
Daily average trading (million euros)	423.86	403.45
Maximum price (euros)	15.22	13.11
Minimum price (euros)	11.87	10.15
Closing price (euros)	15.08	13.05
Book value per share (euros)	3.84	3.23
Market capitalization (million euros)	51,134	44,251

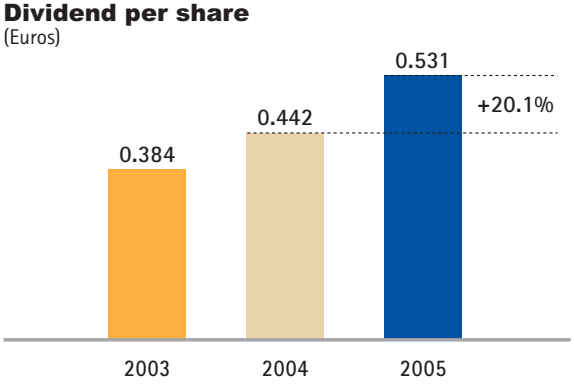
SHARE PERFORMANCE RATIOS

	31-12-05	31-12-04
Price/Book value (times)	3.9	4.0
PER (Price/Earnings; times)	13.4	15.1
Yield (Dividend/Price; %)	3.52	3.39

twelve months earlier), whereby the price/book multiple stands at 3.9 times.

As regards shareholder remuneration, distribution has been made, and posted against earnings for 2005, of three interim dividends of €0.115 each per share, paid out in July and October 2005 and January 2006. If we add to this the supplementary dividend of €0.186 per share, which is to be submitted for approval by the AGM, the total dividend that shareholders are to receive, posted against earnings for 2005, amounts to €0.531 per share. In short, the Bank's excellent results allow for a proposed dividend increase of 20.1% over the €0.442 distributed against earnings for 2004. This figure means that the pay-out stands at 47.3%, with dividend yield, calculated on the share price at 31-Dec-05, at 3.52%.

Dividend per share
(Euros)



On a medium and long-term investment horizon, BBVA continues to stand out as one of the companies with greater capacity for value creation for shareholders, as is emphasised in the accompanying table, which shows the earnings obtained by investors in BBVA shares over the past ten years for each entry and exit date (considering the fluctuation in market price, the reinvestment of dividends and the paybacks). For the 1996-2005 period overall, the average annual earnings of the BBVA share have stood at 19.7%. This means that someone investing in BBVA shares on 31-Dec-95 would have increased their capital six-fold by year-end 2005, whereas, in the same period, the Ibex 35, with a 196% appreciation, only records a three-fold increase.

At year-end 2005, there were 984,891 BBVA shareholders. The shareholder structure is

TOTAL SHAREHOLDERS' RETURN ON BBVA SHARE
(1996-2005) [1]

Acquisition year (31-12)	Average annual return at the end of each period (%)										Δ% cumulative 2005
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
1995	50.6	74.0	63.4	47.4	40.1	30.1	18.7	19.4	19.7	19.7	502.9
1996		97.6	69.6	46.0	37.4	26.2	14.0	15.3	16.3	16.6	297.6
1997			47.1	26.1	22.1	13.1	2.3	5.6	7.9	9.3	103.2
1998				8.1	11.3	3.6	(6.6)	(1.2)	2.5	4.7	38.1
1999					14.5	1.5	(11.0)	(3.4)	1.4	4.2	27.7
2000						(10.1)	(21.6)	(8.7)	(1.6)	2.2	11.6
2001							(31.6)	(7.9)	1.4	5.5	24.1
2002								23.9	23.4	22.0	81.4
2003									22.9	21.0	46.4
2004										19.2	19.2

(1) Considering share price variations, reinvestment of dividends and nominal refunds.

SHAREHOLDER STRUCTURE
(31-12-05)

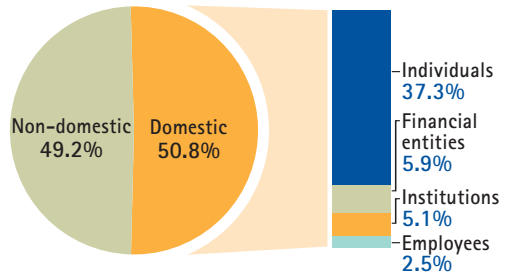
Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	370,602	37.6	29,836,497	0.9
151 to 450	289,457	29.4	76,196,386	2.2
451 to 1,800	212,990	21.6	185,991,459	5.5
1,801 to 4,500	62,464	6.3	175,361,825	5.2
4,501 to 9,000	24,483	2.5	153,654,255	4.5
9,001 to 45,000	20,822	2.1	370,873,878	10.9
More than 45,001	4,073	0.4	2,398,937,743	70.7
TOTAL	**984,891**	**100.0**	**3,390,852,043**	**100.0**

highly diversified, with no individual holdings equalling or exceeding 5% of the share capital. 95.0% of shareholders own fewer than 4,501 shares, representing 13.7% of the capital, and the average holding per shareholder is 3,443 shares, which means an average sum, at the year-end price, of €51,920.

39.8% of the capital is held by private investors, 59.1% corresponds to institutional investors and the remaining 1.1% is held by the board of directors. Non-resident shareholders together account for 49.2% of the share capital, a similar percentage to year-end 2004.

BBVA shares are traded on the Spanish electronic market and on other major European markets (London, Frankfurt, Milan and Zurich), on the New York Stock Exchange (as ADSs represented by ADRs) and, since 19-Aug-2005, on the Mexican Stock Market, thereby confirming the Group's steadfast commitment to Mexico, as it is the first major European financial group to be listed in that country. The BBVA share is listed in the Ibex 35 and Euro Stoxx 50 reference indices, with weightings of 12.4% in the former and 2.8% in the latter.

Shareholder structure
(31-12-05)



The BBVA share is characterised by its high liquidity, being traded on each one of the 257 days that make up the 2005 stock exchange calendar. A total of 8,110 million shares swapped hands during the year, representing 239% of the share capital. The daily average trading volume was 32 million shares (0.9% of the share capital) for a cash sum of €424m, a 5.1% increase on 2004.

BBVA has a shareholders' office, a permanent channel of communication between the Group and its shareholders, which may be contacted by telephone (902 200 902), e-mail (clubaccion@grupobbva.com) or post (Apartado de Correos 21, E-48080 Bilbao - Spain), and which attends to all nature of enquiries, suggestions and opinions on share-related issues and shareholder dealings. In addition, the Major Investors' Management Unit upholds a direct, specialised and personalised relationship with almost 3,000 distinctive shareholders. By means of 57 meetings held in as many Spanish cities in 2005, it has maintained contact with over 7,000 people (over 50% of whom were potential shareholders). In addition, the Chairman and the Chief Operating Officer appeared before an audience of 2,200 people in a further 16 meetings, thereby revealing the importance the Group's senior management attributes to investor relations. The Annual Corporate Responsibility Report 2005 provides further information on the actions undertaken by these two units.

RISK MANAGEMENT

- OVERALL RISK MAP
- CREDIT RISK MANAGEMENT
- RISK MANAGEMENT IN MARKET AREAS
- STRUCTURAL RISKS
- OPERATIONAL RISK
- RISK MANAGEMENT IN NON-BANKING ACTIVITIES

Risk-management at BBVA is considered an intrinsic part of the banking business and a source of competitive advantage.

Monitoring risk as an essential component of value creation enables a decision-making process to be established, based on significant measurements that contribute to the sustainability of profits in the medium and long term and guarantee the institution's capital solvency to shareholders.

In a diversified and internationally active financial group, proper identification, measurement and evaluation of the different types of risk is a key requirement for expanding business in an orderly fashion in accordance with corporate strategy and the desired risk profile.

BBVA's different types of business activities involve many types of risk that call for an overall risk management system prevailing throughout the organisation.

For some years, the BBVA Group has been building up such an overall management system, under which customer needs and shareholder and other stakeholder expectations are rendered compatible with regulators' requirements.

This system entails numerous premises, such as the following:

- It must be based on prudent, consistent, experience-based risk valuation criteria.
- It must be consistently applied to all the Group's activities and businesses, using unified methods suited to each type of risk.
- It must be based on a corporate risk governance framework which, in accordance with the recommendations of supervisory bodies, establishes a clear separation of functions and responsibilities and guarantees the independence of the risk function.
- It must be backed up by a common risk culture shared across the Group and handled by a qualified risk-management team.
- Finally, the system must enable each type of risk (credit, market, structural and operational) to be managed, and at the same time facilitate an integrated overview of risk.

To that end, the Group's risk-management system incorporates elements of three types:

- Consistent measuring and monitoring tools that cover the business activities and risks involved in customer portfolios, products, processes, balance sheets, etc.
- Databases that enable the necessary information to be gathered, calculation engines and management systems that help to obtain figures for expected losses and economic capital from the most basic aggregate levels, providing the measurements that make up the basis of overall risk management.
- Management criteria, circuits and procedures, translated into risk policies that ensure the management model is integrated into the day-to-day decision-making process from the most basic level to the highest ones such as the Risks Committee of the board of directors and the board itself.

Proper integration of these components enables an overall risk profile to be drawn up and monitored per business unit and type of risk, quantified in terms of economic capital and expected losses.

Under this general framework and in line with its business strategy, the Group determines and applies risk policies in its day-to-day business, setting ceilings for maximum credit risk exposure by counterparties or by group, establishing limits for maximum exposure in market and structural risks and analysing operational risks incurred in its various activities with a view to mitigating their impact. Moreover, to improve the decision-making process and ensure process feedback, sensitivity analyses are performed to assess the risk arising from market disturbances, as reflected in a number of simulated scenarios and movements of underlying risk factors.

To determine the extent to which the risk management system has been implemented in the organisation, risk maps are drawn up by business units to identify the gaps between the current situation and the target situation under the risk model. On the basis of these maps, action plans are drawn up to close those gaps and ensure that central risk management methods extend to all the Group's activities in a comprehensive, consistent fashion.

Following the publication of the Basel II Capital Accord, the Group has intensified its efforts and applied more resources to ensure success in tackling the new regulatory framework, which will enable capital consumption to be

determined on the basis of internal models as from 2008.

Along these lines, and within the framework of current regulations, the Bank has begun using its own internal market risk model (after obtaining proper authorisation) to calculate capital.

In regard to credit and operational risk, the Group is adopting advanced models in both cases, applying them initially to the main part of risk exposure (more than 80% of the total), as required under the Basel regulation, including the parent bank and BBVA Bancomer (Mexico).

In accordance with the agenda laid down by regulators, the relevant documents or application forms (drawn up by the Bank of Spain and called *Cuadernos de Solicitud*) concerning credit risk were handed over in 2005 so as to enter the process of validation of advanced internal models (IRB Advanced). The calendar is due to extend throughout 2006 and 2007. This process was begun by the Spanish regulator and has also been adopted by its Mexican counterpart, which places both financial systems at the forefront of the processes to implement Basel II internationally.

In all other countries where the Group operates, it will continue seeking the validation of advanced models, gradually complying with the processes for adaptation to Basel of the Home Supervisor and the Host Supervisors and Regulators of each financial system.

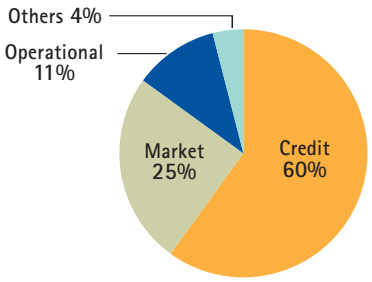
Without doubt, the gradual adoption of the Accord on the international stage, following the recommendations of the Accord Implementation Group of the Basel Committee on Banking Supervision, will help to improve risk management at financial institutions and will result in greater stability and solvency in financial systems.

OVERALL RISK MAP

The Group's consumption of economic capital at year-end 2005 stood at €15,701m, with year-on-year growth of 23%.

Economic capital for credit risk records the greatest dynamism, accounting for 60% of the Group's total risks at the end of the year. In turn, market risk accounts for 25% and operational risk for 11%.

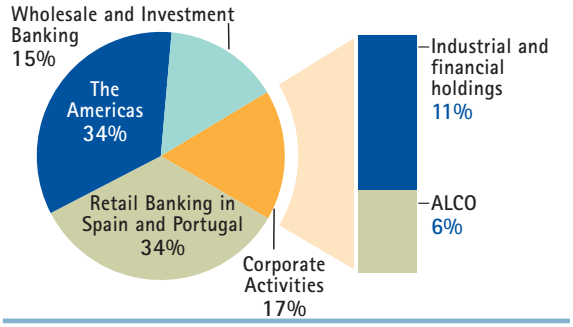
Map of the BBVA Group's economic capital. Distribution by risk types
(Data in attributable terms, 31-12-05)



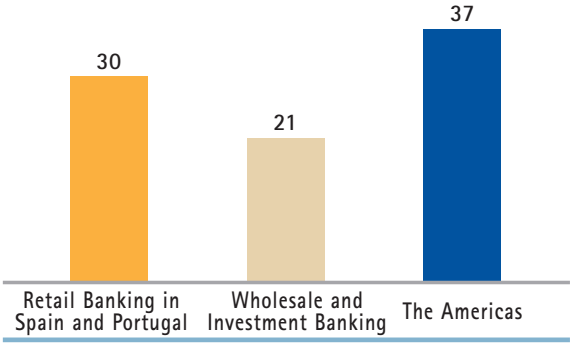
By business areas, 34% of economic capital consumption corresponds to Retail Banking in Spain and Portugal, 34% to the Americas (where Bancomer accounts for 60%), 15% to Wholesale and Investment Banking and 17% to Corporate Activities.

In accordance with profit generation and with average consumptions of economic capital and expected losses during the year, the business areas have achieved a risk-adjusted return (RAR) well above the cost of capital, consistent with the Group's high returns on capital and its ability to create value.

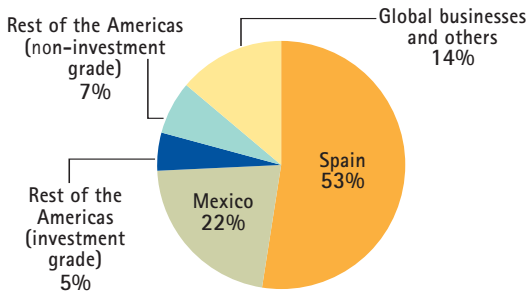
Map of the BBVA Group's economic capital. Distribution by areas
(Data in attributable terms, 31-12-05)



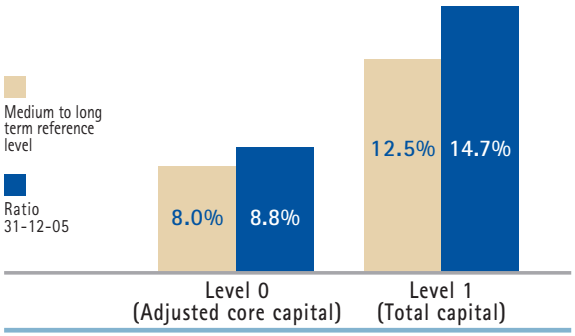
Risk-Adjusted Return by business areas
(2005. Percentage)



Map of the BBVA Group's economic capital. Geographical distribution
(Data in attributable terms, 31-12-05)



Capital adequacy ratios
(31-12-05)



An analysis of economic capital consumption by country reveals that the largest portion is concentrated in Spain (53%) and Mexico (22%), whereas the consumption of economic capital in the Americas linked to non-investment grade countries amounts to 7%.

The monitoring of the Group's financial solvency level is performed through what are referred to as capital adequacy ratios, which relate risk weighted assets, implicit in the consumption of economic capital, to the level of capital available, on two levels:

- Level 0. Adjusted core capital, equal to the Group's balance-sheet value (adjusted by latent capital gains and by the difference between loan loss provisions and expected losses).
- Level 1. Total capital, which in addition to the above includes preferred shares and eligible subordinated debt.

The medium and long-term benchmark ratios that have been established in accordance with BBVA's current rating levels are 8% for level 0 and 12.5% for level 1. At year-end 2005, the ratios stood at 8% and 14.7% respectively, which reflects a comfortable situation to face new risks through growth.

Finally, within the framework of overall risk analysis and as a complement to economic capital, major progress has been made in 2005 in the systemisation of sensitivity to risk factors and scenario analysis.

Accordingly, a recurring assessment of the impact of different risk scenarios is made, quantifying those scenarios in terms of macroeconomic and financial variables and measuring the effect in macroeconomic terms, on the income statement and on net worth. Shocks are measured in an integrated and coherent manner for all the different risk types and businesses.

Furthermore, an analysis of mainstream sensitivities to specific risk factors is made: for example, quantifying the impact of a change in the yield curve on assets and liabilities, trading book positions, losses in lending portfolios and growth in business margins.

The combination of the framework of economic capital allocation and risk-adjusted returns, the assessment of financial solvency, the ability to assume risks, and the overall sensitivity analysis to risk factors, provide a clear view of the Group's overall risk positioning, facilitate the fine-tuning of the business portfolio and allow for foresight in responding to changes in the environment.

CREDIT RISK MANAGEMENT

Methodologies for credit risk quantification

A credit risk profile is drawn up in two ways: expected loss and economic capital (the latter related to unexpected loss). The Group has implemented tools for loan classification (ratings and scorings) and an infrastructure for keeping records of past risk to allow for an estimation of the necessary inputs (probability of default, loss given default and exposure at default) for calculating the expected loss and capital. These techniques, in turn, play a key role on two levels: internal risk management itself and compliance with regulatory requirements.

Insofar as management is concerned, these tools are an essential component within the management framework based on value creation. Their use alongside data on costs and returns allows measures to be applied for assessing how risk and return are combined. Such measures have a wide range of possible applications, from decision-making on business strategy through to the acceptance of individual operations.

The development of the internal RAR information system (supporting the internal risk model) has led to the introduction of databases that can be used to accurately estimate the risk parameters required in the calculation of capital and expected loss, following best practices on the market and the guidelines of the New Capital Accord (Basel II).

Group master scale. BBVA has a master scale designed to facilitate the homogeneous classification of the Group's different risk portfolios. There are two versions of this scale: the narrow one, which classifies outstanding risks into 17 groups, and the broad one, which breaks them down into 34 degrees.

Probability of default. BBVA has two classification tools (scorings and ratings) that allow for measuring the creditworthiness of operations or customers, as applicable, by allocating a score. Besides, they allocate the probability of default by using BBVA's historical databases to ascertain how this probability varies in terms of the scores allocated by these tools and of other potentially relevant factors (e.g. the seasoning of the transaction).

BBVA MASTER SCALE
(Narrow version)

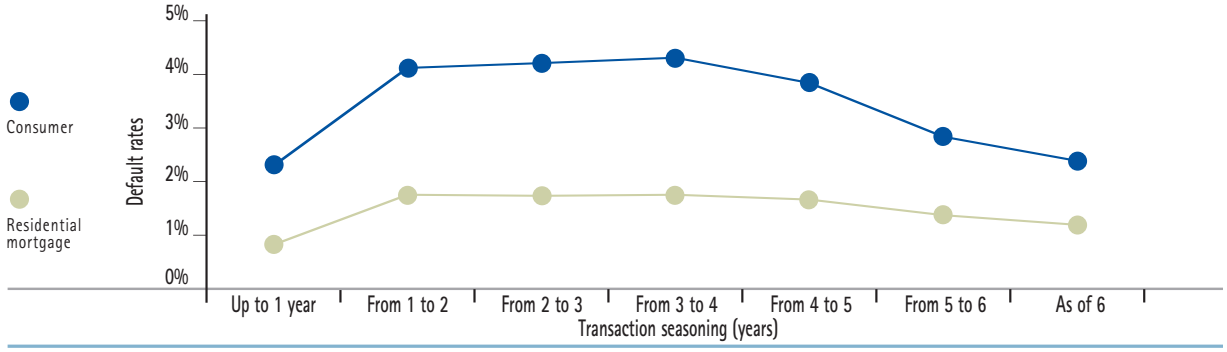
Master scale rating	Default probability (in basis points)		
	Average	Minimum from >=	Maximum to <
AAA	1	0	2
AA+	2	2	3
AA	3	3	4
AA–	4	4	5
A+	5	5	6
A	8	6	9
A–	10	9	11
BBB+	14	11	17
BBB	20	17	24
BBB–	31	24	39
BB+	51	39	67
BB	88	67	116
BB–	150	116	194
B+	255	194	335
B	441	335	581
B–	785	581	1,061
C	2,122	1,061	4,243

Scorings. These are the tools used to score retail operations (consumer loans, mortgages, credit cards, retailers, etc.). The accompanying graphs show the default rates, at one-year intervals, for some of the Group's tools.

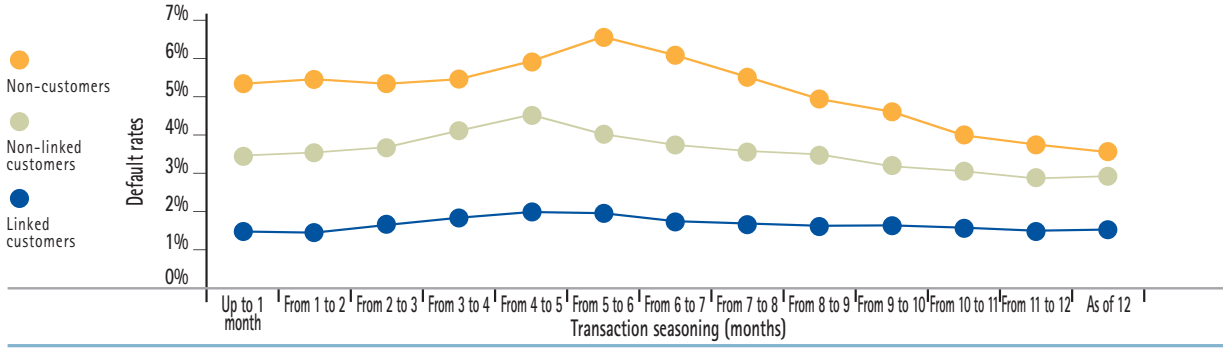
The time at which the maximum probability of default is reached is called peak seasoning. The default rates are shown for consumer and mortgage tools at one-year intervals in terms of the contracts' seasoning in years. Given that the seasoning process is very fast, the default rates for credit card tools are shown on a monthly basis.

Ratings. Rating tools classify customers (not retail-type transactions). The Group has different rating tools for classifying different customer segments.

Consumer loan scoring tool calibration. Default rates by seasoning



Card loan scoring tool calibration. Default rates by seasoning

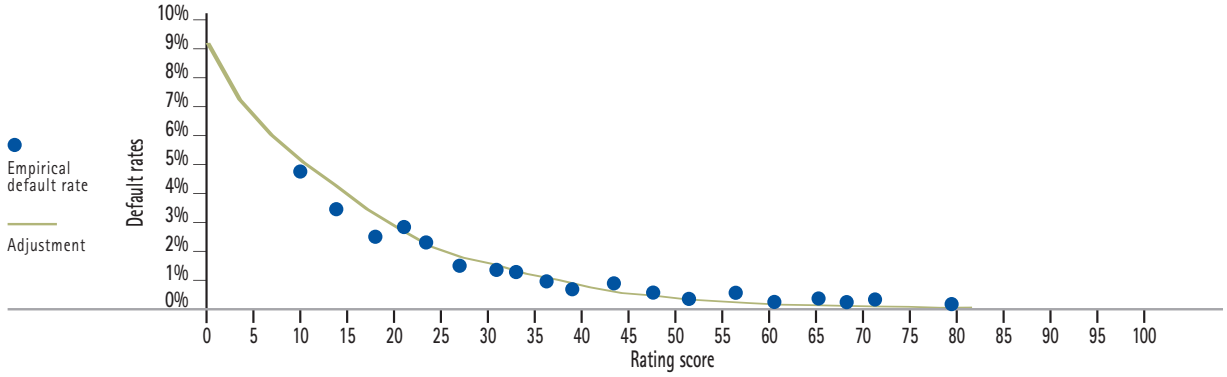


As an example, the following graph shows the adjusted probabilities of default for the tool for SME business rating (firms with turnover between €5m and €150m) against the historical record of defaults.

In those wholesale portfolios in which the default rate is very low (e.g. sovereign borrowers, financial institutions and large corporates) internal information is complemented by external data on defaults provided by rating agencies.

Once the probability of default has been obtained for transactions/customers and adjusted to the business cycle, this probability is linked to the BBVA Group master scale.

SME rating tool calibration



LGD (Loss given default). In 2005, the BBVA Group has continued to further its knowledge and analysis of LGD rates in its portfolios, both at facility level (retail) and obligor level (for non-retail exposures). Defined as the percentage of risk exposure that is not expected to be recovered in the event of default, loss given default (LGD) constitutes one of the key factors in quantitative risk assessment.

The method the BBVA Group mainly uses for the calculation of LGD is the "Workout LGD". This method is based on discounting the cash flows of the defaulted exposure that have been collected at different times of the recovery process. In the case of portfolios with low-default rates, without enough data to obtain a reliable estimate by means of the Workout LGD method, other methods are used, such as external sources for obtaining market references on LGD rates suited to the internal portfolio.

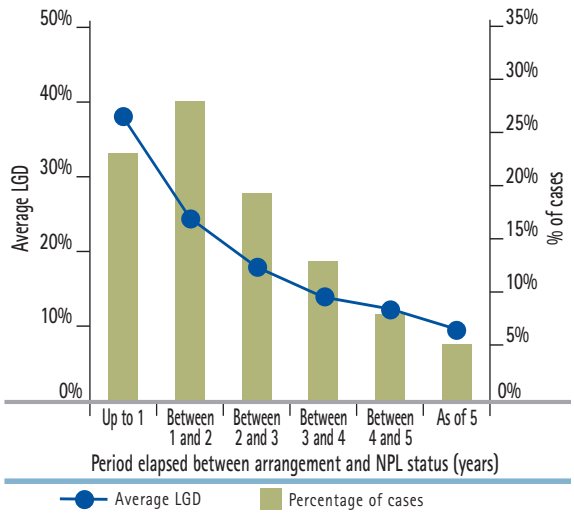
The graph provided shows the LGD rate distribution for the BBVA Spain mortgage portfolio. This bimodal LGD pattern is also repeated in other operating areas. It may be noted that in an extremely high percentage of cases (90%) involving mortgages, almost all the outstanding debt is recovered, whereas small recoveries are observed only in few cases.

As in the case of the calculation of probabilities, the databases built in the RAR project are used to analyse the link between the LGD and the nature of the transactions or customers.

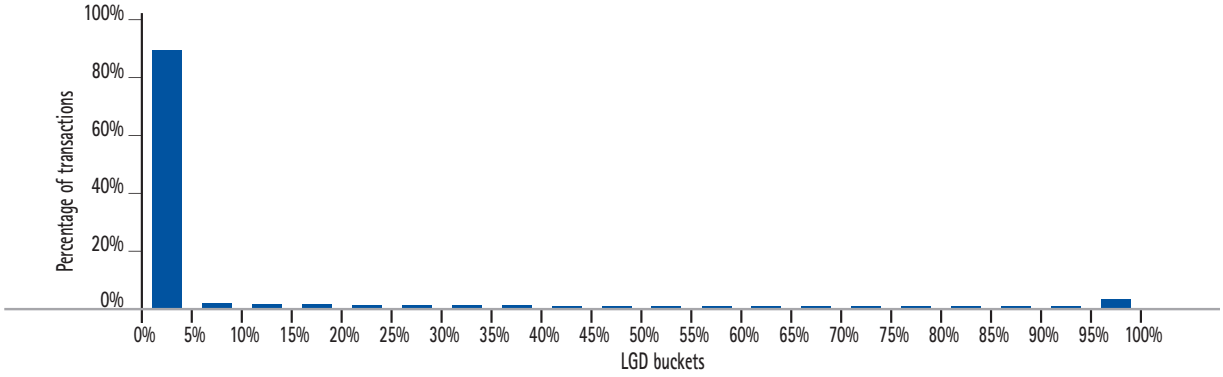
For illustrative purposes, a number of analyses carried out on the BBVA portfolio in Spain are shown.

a) **Seasoning**
One of the key factors for determining LGD is the period elapsed between contract arrangement and default. The graph shows that the longer the seasoning of the contract, the lower its LGD. The axis on the left corresponds to average LGD, while the axis on the right reflects the percentage of cases for each portfolio time bucket.

LGD in consumer loans



LGD in mortgage loans

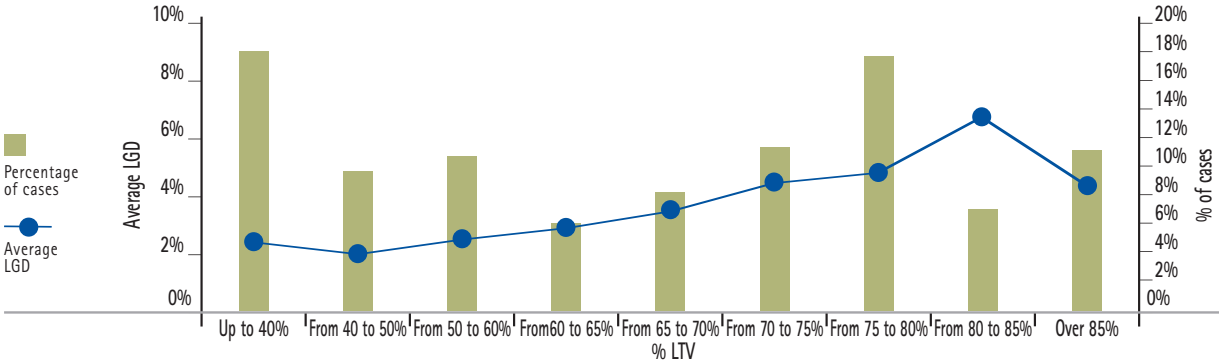


b) **Loan/value ratio**
The amount of the loan and the value of the property ratio, or LTV (loan to value), is a specific characteristic of mortgage products, and is expected to have a bearing on LGD. The graph shows that LGD increases in step with the rise in the LTV percentage. However, this relationship does not hold for mortgages with a LTV exceeding 85%, given the usual presence in these cases of additional guarantees and guarantors.

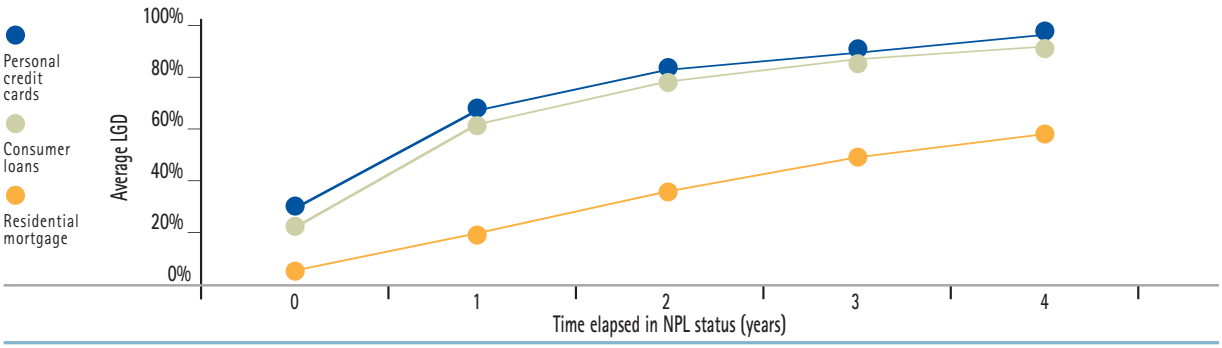
c) **Time elapsed in default**
A further significant factor in LGD estimations is the time that a transaction remains in default. The graph compares this ratio for retail portfolios involving consumer loans, residential mortgages and personal credit cards. It is noted that the curves profile for consumer loans and credit cards is very similar, whereas the curve for mortgages, given the intrinsic characteristics of the products, is significantly lower.

d) **Combination of significant factors**
The graph presents an aggregate display, for unsecured loans, credit lines and receivables, of how the LGD trend depends jointly on two significant factors: the time elapsed from arrangement to customer default and the time the customer is in default. Each line on the graph corresponds to different seasonings.

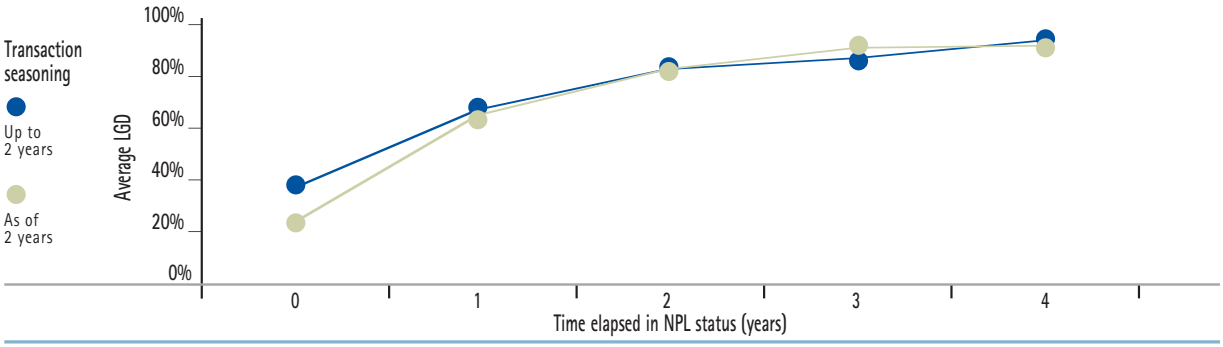
LGD in mortgage loans according to % of LTV



Comparison of LGD curves for NPL transactions involving BBVA retail products



Variation over time in LGD for SME products (loans, credit lines and receivables)



The BBVA Group assigns different LGD rates to the outstanding receivables (defaulted and non-defaulted) according to the combinations of significant factors, depending on each product's characteristics and the presence of collateral. These LGD rates are allocated in order to determine expected losses, economic capital and regulatory capital.

For example, a table showing LGD rates for mortgages is provided here with LTV between 65% and 85%, the result of combining significant factors.

Finally, research has been carried out in 2005 on the development of an in-house method for including the uncertainty relative to LGD in capital calculations. This methodology aims to provide a solution to the requirements laid down by the Basel Committee on Banking Supervision regarding the estimation of a downturn LGD. This takes the form of an adjustment applied to all portfolio transactions with certain differences depending on their status (defaulted or non-defaulted).

Exposure at default. Exposure at default (EAD) is another input needed to calculate the expected loss and capital in Group operations. Additional studies have been carried out in 2005 on the estimation of conversion factors required for determining exposure at default, on the basis of the same data infrastructure as that used for estimating the other risk parameters. The estimation of these conversion factors will be further analysed in 2006, ensuring the application of the market's best practices.

Adjustment to the business cycle. Adjustment to the business cycle is a key factor to achieve stable estimates of expected loss and capital throughout the cycle. To calculate the business cycle adjustment coefficients, the conditions prevailing during the information-gathering period are linked with the steady state of the economy. In 2005, the adjustments to the cycle have been updated with new information available.

LGD FOR MORTGAGE LOANS WITH LTV BETWEEN 65% AND 85%

	Time in NPL status (in years)						
Transaction seasoning	Not in NPL status (period=0)	Up to 1	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	As of 6
Up to 1 year	7.3%	27.8%	50.4%	65.1%	71.8%	75.2%	100%
Between 1 and 2 years	5.7%	23.0%	45.3%	57.8%	63.0%	65.2%	100%
Between 2 and 3 years	4.2%	17.4%	33.7%	54.9%	59.5%	61.5%	100%
Between 3 and 4 years	3.4%	17.4%	33.7%	38.3%	41.3%	50.7%	100%
As of 4 years	3.1%	17.4%	33.7%	38.3%	41.3%	50.7%	100%

This method is supplemented by a stress analysis on estimations. The stress of underlying risk factors for the different asset classes is made. It can thus be determined to what extent future expected losses could be affected by scenarios of economic downturn, high interest rates or, in the specific case of the mortgage portfolio, corrections in the real-estate market.

Portfolio model. In 2005, the BBVA Group has developed its own portfolio model, with a view to improving its measurement for credit risk economic capital bearing in mind the effects of diversification/concentration that are typical of the investment structure. In short, a more accurate measurement of our risk profile. Accordingly, the model contains the interrelations amongst the different factors that affect the loan losses the Group might have to face. This model, developed in joint cooperation among the areas of Risk, Financial Management and Economic Research, provides BBVA with a key tool for lending risk management and has been designed taking into account the requirements of the second pillar of Basel II.

The model's multi-factorial nature (see diagram provided) implies that economic capital is sensitive to the potential existence of geographical diversification, a crucial aspect in a global entity such as BBVA. In turn, the tool is sensitive to the potential concentration existing in certain loan exposures.

On the one hand, the model considers the foreseeable performance of default rates, explained in terms of macroeconomic and financial variables, for each of the economies in which the BBVA Group is active.

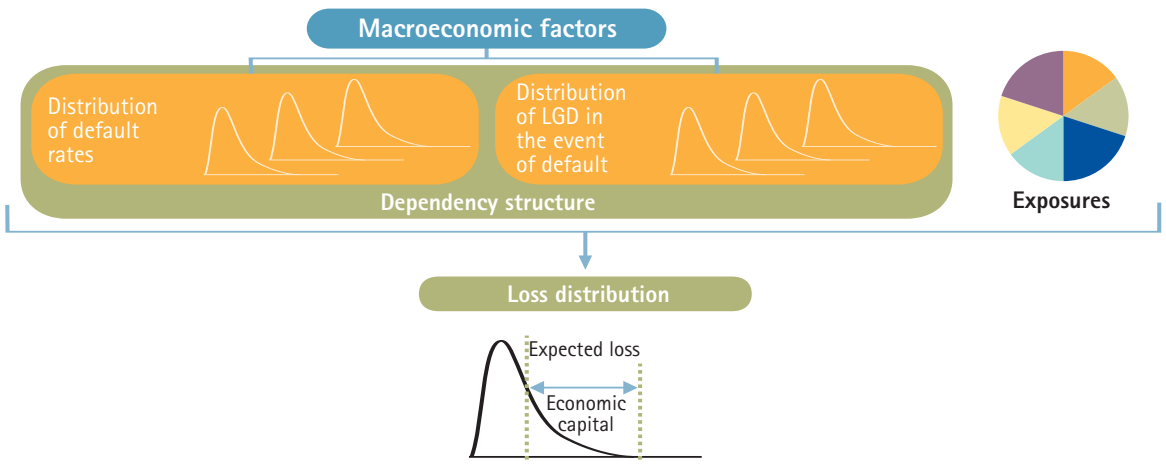
On the other hand, the model considers the uncertainty in the performance of LGD in the event of default, as well as the fact that the LGD may be related to the performance of default rates. The most clarifying example to illustrate this phenomenon is the case of the mortgage portfolio, whose LGD has been linked, through the ratio between loan exposure and the value of the mortgage guarantee (LTV), with the trend in real estate prices. The performance of this variable is the one that determines the dependence between LGD and default.

The results of the portfolio model developed will also be used to enrich the parameters that feed the information system for risk management, thereby achieving greater accuracy in the risk/return analysis of transactions. This model forms the mainstay for progress towards a future model that will take into account all the interrelations between the different types of risk, and not only credit risk, managed by the BBVA Group.

Credit risk in 2005

The Group's maximum exposure to credit risk stood at €455,282m at year-end 2005, a year-on-year increase of 24.2%. By business areas, Retail Banking in Spain and Portugal

Structure of the portfolio model



MAXIMUM EXPOSURE TO CREDIT RISK
(Million euros. 31-12-05)

	GROUP TOTAL	Retail Banking	Wholesale Banking	The Americas	Others
GROSS CREDIT RISK (DRAWN)	**252,275**	**137,914**	**69,412**	**48,522**	**(3,573)**
Loans and receivables	222,413	131,114	47,724	45,720	(2,145)
Contingent liabilities	29,862	6,800	21,688	2,802	(1,428)
TRADING ACTIVITY	**118,005**	**11,411**	**35,136**	**40,132**	**31,327**
Credit entities	27,470	282	13,400	10,431	3,357
Fixed income	82,010	11,129	16,708	26,202	27,970
Derivatives	8,526	-	5,028	3,498	-
THIRD-PARTY LIABILITIES	**85,001**	**33,263**	**41,845**	**21,410**	**(11,571)**
TOTAL	**455,282**	**182,588**	**146,393**	**110,063**	**16,236**

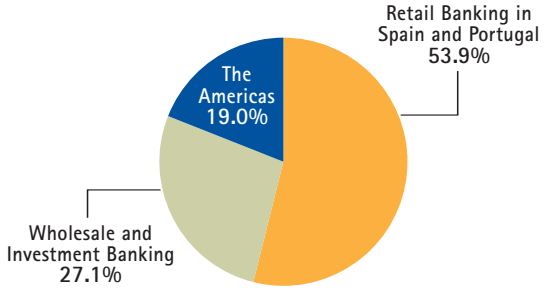
accounted for 40.1% of the exposure, Wholesale and Investment Banking for 32.2% and the Americas for 24.2%.

All items recorded significant increases: customer lending risks (55% of the total, including contingent liabilities) rose by 27.3%, third-party liabilities (accounting for 19%) by 40.0% and the potential exposure to lending risk in market activities including potential exposure for derivatives (26% of the total) by 9.7%.

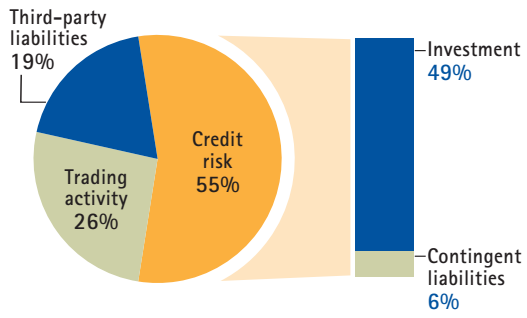
Insofar as lending risk is concerned, the incorporation in 2005 of Laredo National Bancshares, Hipotecaria Nacional and Granahorrar, as well as the strengthening of currencies in the Americas against the euro, have altered the distribution by business and geographical areas. The year has thus witnessed an increase in the relative weight of the Americas and a fall off in Retail Banking in Spain and Portugal by 3.3 percentage points (now accounting for 53.9% of the Group's total risk) and by 0.5 points in Wholesale and Investment Banking, down to 27.1% of the total.

By geographical areas, the Group in Spain (including branches abroad, largely in Europe)

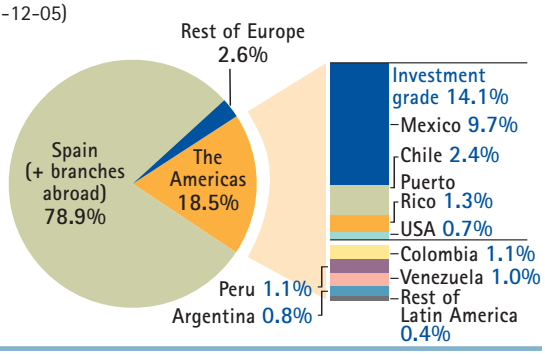
Exposure. Gross credit risk. Distribution by business areas
(31-12-05)



Maximum exposure to credit risk
(31-12-05)



Exposure. Gross credit risk. Geographical distribution
(31-12-05)



accounts for 78.9%, the rest of Europe for 2.6% and exposure in the Americas for 18.5% (14.5% in 2004). The vast majority of the latter (75.9%, as opposed to 73.9% in 2004) is concentrated on investment grade countries.

The accompanying table provides a breakdown of customer lending distribution by sectors at year-end 2005. Lending to the resident private sector in Spain amounted to €140 billion, with risks being equally divided between lending to private individuals (50%) and business activities (50%), without significant concentrations in sectors more sensitive to the current economic climate.

The distribution of the exposure by ratings, including companies, financial entities, institutions and sovereign obligors, reveals that over 59% of the exposure to lending risk is concentrated on customers with an A rating or higher.

CUSTOMER LENDING BY SECTORS

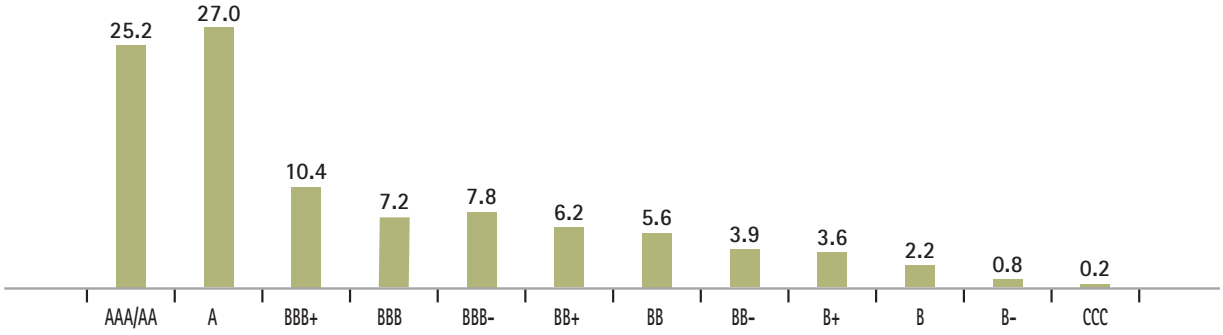
(Million euros. 31-12-05)

	Total	Residents	Non-residents
Public Sector	22,125	16,089	6,036
Agriculture	2,504	1,550	955
Industry	17,930	14,774	3,155
Real estate and development	36,562	24,937	11,624
Commercial and financial	36,194	11,736	24,459
Loans to individual customers	82,583	67,964	14,619
Leasing	6,726	5,910	816
Others	17,370	13,167	4,203
SUBTOTAL	**221,995**	**156,128**	**65,866**
Interest, fees and others	418	109	309
TOTAL	**222,413**	**156,237**	**66,176**

Distribution by ratings[1] (Exposure 31-12-05. Percentage)

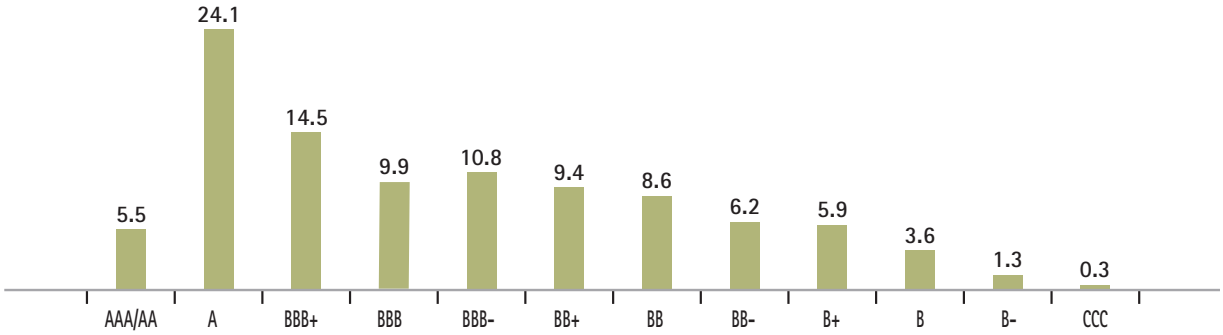
(1) Activities of parent bank and subsidiaries in Spain. Companies, financial entities and sovereign risks.

Distribution by ratings[1]. Excluding sovereign risks (Exposure 31-12-05. Percentage)



(1) Activities of the parent bank and subsidiaries in Spain. Companies, financial entities and institutions.

Distribution by ratings. Companies [1] (Exposure 31-12-05. Percentage)



(1) Activities of the parent bank and subsidiaries in Spain. It includes only the Banking Book.

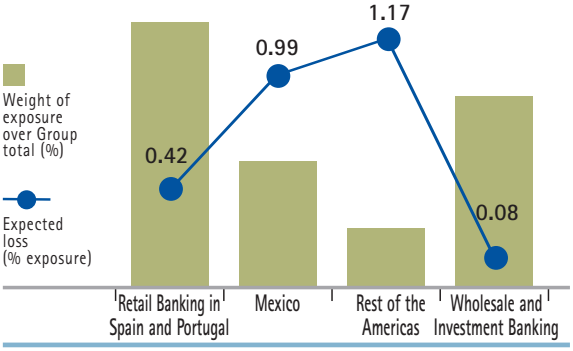
If sovereign risks are excluded, 52% is still rated at A or higher and 77% of the exposure has a rating equal to or better than BBB–.

A display is likewise made of the rating distribution of the segment corresponding to the parent bank.

Expected losses. In accordance with the above ratings distribution, the Group's expected losses (adjusted upwards in line with the business cycle) are estimated to be €1,664m.

As may be seen in the graph, attributable expected losses by main business areas according to their exposure – Retail Banking in Spain and Portugal accounts for 41% of the exposure and Wholesale and Investment Banking for 30% – stand at 0.42% and 0.08%, respectively, with the expected loss in Mexico being 0.99% and 1.17% for the rest of the Americas.

Attributable expected losses by business areas (Percentage over exposure 31-12-05)



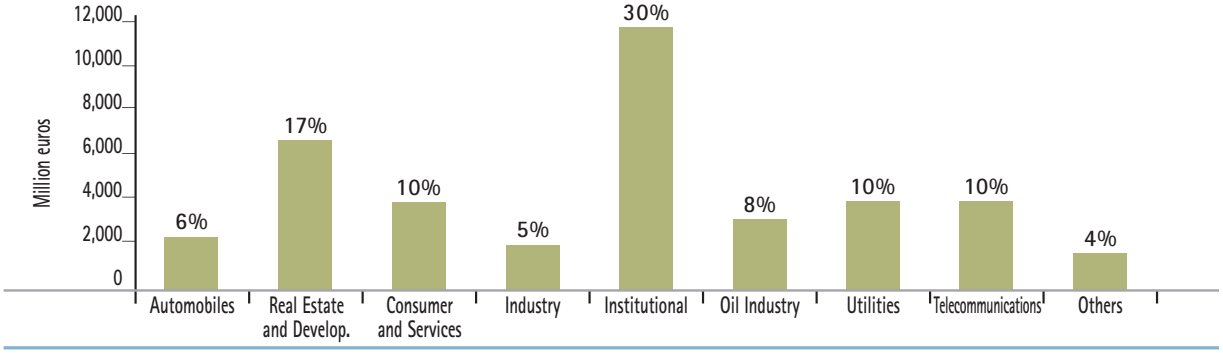
There follows a detail of economic capital consumption and expected loss in the parent bank's main portfolios in Spain. It should be noted that in 2005 economic capital has included a component linked to LGD volatility.

RISK STATISTICS FOR THE MAIN BBVA, S.A. PORTFOLIOS
(31-12-05)

Portfolios	Exposure [1] Million euros	Expected losses Million euros	Expected losses %	Economic capital Million euros	Economic capital %
Consumer loans	6,278	62	0.99	285	4.54
Mortgage	56,826	98	0.17	978	1.72
SMEs	15,952	63	0.40	571	3.58
Corporates	39,273	28	0.07	803	2.04

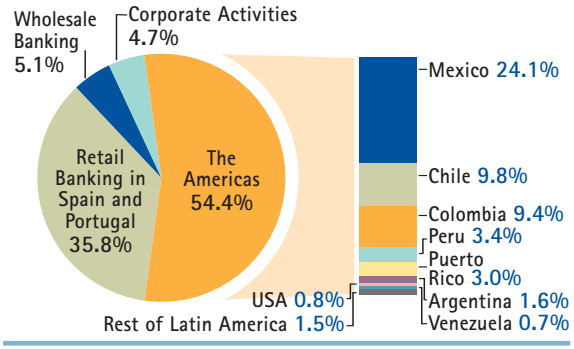
(1) Includes off-balance-sheet positions to which the corresponding conversion factors are applied.
Segmentation according to tool used for rating.

Concentration. Distribution by sector
(31-12-05)



Concentration. The BBVA Group has 79 groups with credit risk exposure (investment + guarantees) that exceeds €200m, amounting to a total risk of €37,151m, ie, 14.7% of the Group's overall risk, of which 95% has an investment degree loan rating. From the perspective of transaction source, 67% is concentrated in Spain, 21% in the foreign network and 12% in Latin America (9% in Mexico). The major sectors are: institutional (30%), real-estate and development (17%), telecommunications (10%) and utilities (10%).

NPL. Distribution by business areas
(31-12-05)



Non-performing loans (NPL). Over the course of the year, BBVA has upheld the trend for improvement in credit risk quality indicators, which is a constant in the Group's evolution. The value of NPL (customer lending and contingent liabilities) stood at €2,382m at year-end 2005, as opposed to €2,248m twelve months earlier. Nonetheless, adjusting for the perimeter enlargement effect in Mexico, USA and Colombia and of exchange rate variations, NPL went down by €189m.

This drop is due to a new reduction in the non-performing loans ratio over credit risk, despite the more stringent criteria for NPL accounting, falling from 1.08% in 2004 to 0.86% in 2005, and to a better recovery rate rising to 36.5% of the critical mass (debit balances plus new entries), as opposed to 31.4% for 2004.

The accompanying table provides a breakdown of movements in non-performing loans in 2005 and 2004.

TREND IN NPL
(Million euros)

	2005	2004
BEGINNING BALANCE	2,248	3,028
Entries	1,943	1,988
Recoveries	(1,531)	(1,575)
NET ENTRY	412	413
Transfers to write-offs	(667)	(713)
Exchange differences and others	389	(480)
FINAL BALANCE	2,382	2,248

All business areas have recorded a good performance, based on the trend in net entries, as shown in the table provided.

As a result of strong growth in lending and the containment of past-due balances, there is a further reduction in the Group's NPL ratio by 19 basis points, down to 0.94% at year-end 2005, as opposed to 1.13% at year-end 2004.

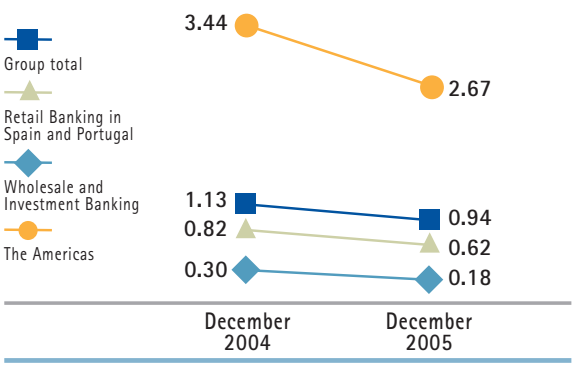
All business areas reduced their NPL ratio: Retail Banking in Spain and Portugal by 20 basis points, down to 0.62%, Wholesale and Investment Banking by 12 basis points to 0.18% and the Americas by 77 basis points to 2.67%.

Given that provisioning for credit risk in the customer lending portfolio rose by 21.8% to €6,015m, the BBVA Group's NPL coverage rate increased to 252.5% (219.7% at year-end 2004), thereby reinforcing the Group's solvency. This performance has been recorded across the board in all business areas, rising to 315.7% in Retail Banking, 728.7% in Wholesale Banking and 183.8% in the Americas.

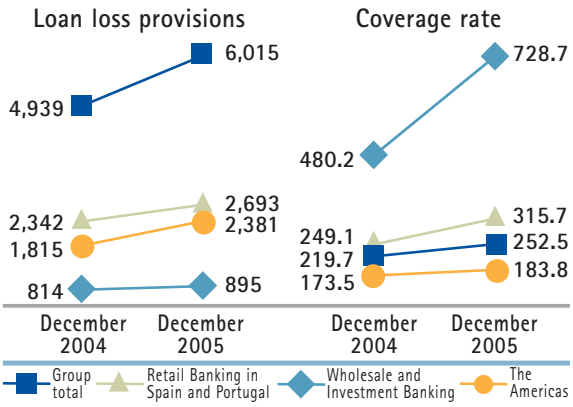
NPL TREND BY BUSINESS AREAS
(Million euros)

	Retail Banking		Wholesale Banking		The Americas		Others	
	2005	2004	2005	2004	2005	2004	2005	2004
BEGINNING BALANCE	940	1,040	169	255	1,046	1,687	93	46
NET ENTRY	121	170	(39)	(44)	326	260	4	27
Transfers to write-offs	(205)	(219)	(15)	(36)	(443)	(458)	(4)	-
Exchange differences and others	(3)	(51)	8	(6)	367	(443)	17	20
FINAL BALANCE	853	940	123	169	1,296	1,046	110	93

NPL rates



Coverage



RISK MANAGEMENT IN MARKET AREAS

The BBVA Group manages jointly credit and market risk in trading activity, within a limits system framework approved by the Executive Committee and adapted to the nature of the business.

The most widely used measurement model is Value-at-Risk, VaR (the maximum loss that could be incurred by the portfolios for a given confidence level, as a result of adverse fluctuations in market variables), with a confidence level of 99%, and a one-day horizon. This measurement includes basis risk, spread, convexity and other risks associated with embedded options and structured products.

The structure for market risk limits has been supplemented and reinforced in 2005; it includes an overall VaR per business unit and involves specific sub-limits according to the type of risk, business activity and trading unit.

Risk monitoring in terms of VaR is undertaken using two complementary and dynamic methods. Priority is given to the use of limits based on the measuring of 1-day VaR with equally weighted observations of the daily information on the past year's market (VaR without smoothing), and monitoring is also made of the VaR that gives greatest importance to the immediate past (with exponential smoothing). Limits are likewise established for economic capital and VaR stress situations, considering the impact of past financial crises and potential and foreseeable future scenarios.

The dynamic nature of the limits allows for linking authorised risk levels for market business units to their performance over the year, reducing the limits in the event of negative aggregate results. In order to foresee and mitigate the effects of these situations, loss limits and other control measures, such as delta sensitivities, are also introduced. The proactive management of this limits structure is accompanied by a broad range of indicators and warning alerts that immediately trigger procedures designed to cope with those situations that might possibly compromise the activities of the business area.

In order to assess impacts of less liquid markets, regular settlement VaR calculations are made in certain portfolios, taking into account the liquidity conditions in financial markets at any given time. Finally, the market risk measurement model incorporates back-testing or ex-post comparison, which helps to ensure the accuracy of the risk measurements made, comparing day-to-day management results at different levels with the corresponding VaR measurement.

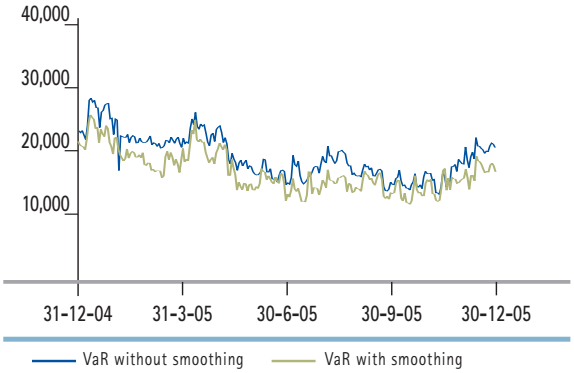
The inclusion of Mexico in the implementation of the new risk measurement platform, now fully operational in the Europe and US Global Business unit, paves the way for the integration of market risk with credit risk for the whole of the perimeter for which the BBVA Group has requested the application of the Advanced Internal Model for capital allocation. This new and more powerful platform uses historical and Monte Carlo simulation, applying full-valuation to derivatives, with a consequent increase in estimated risk accuracy.

The planned enlargement of the Advanced Internal Model platform and perimeter is underway in all the other Latin American units in the BBVA Group.

Market risk 2005

The BBVA Group's market risk in 2005 has generally remained at moderate levels, with a downward trend over the first three quarters and a slight upturn towards the end of the year, mainly as a result of the increased exposure. The year closed with an average weighted limits consumption of 33% (29% for the method with exponential smoothing) with low volatility regarding this average value. The main developed markets ended the year with significant advances in the stock markets, whereas in emerging markets there has been a cut-back in country risk spreads, public debt performed well and stock markets made significant gains. Greater liquidity in fixed-income markets has been the common denominator in all Latin American countries in 2005.

Trend in market risk
(Thousand euros)

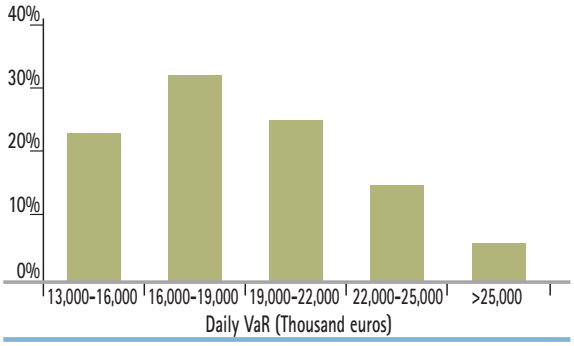


The BBVA Group's market risk in 2005, in terms of VaR, has averaged €19,040m.

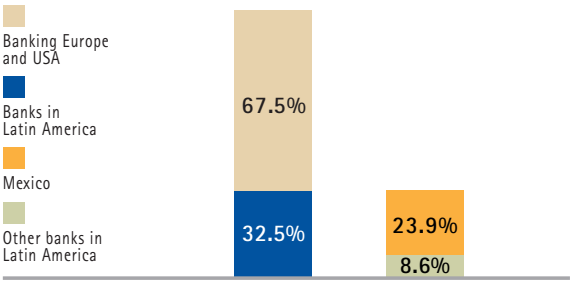
The main risk the Group faces is interest rate risk (62% of the total at year-end 2005), which includes systematic risk and the specific risk linked to spreads. Vega and correlation risks each account for 7% of the total, and equity risk and FX risk account for 9% and 7%, respectively.

By geographical areas, 67.5% of the market risk corresponds to banking in Europe and the United States, and 32.5% to the Group's banking companies in Latin America, of which 23.9% is concentrated in Mexico.

Distribution of market risk frequencies in 2005



Market risk by geographical areas
(Average 2005)



MARKET RISK BY RISK FACTORS IN 2005
(Thousand euros)

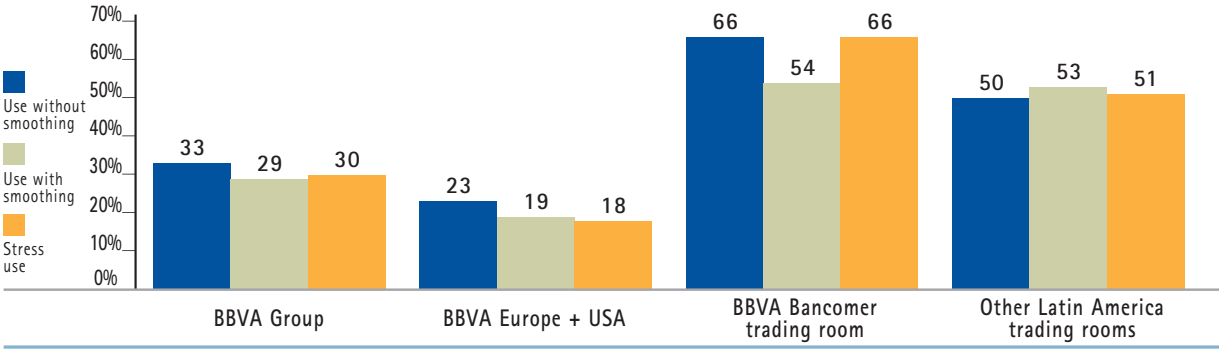
	31-12-05	Daily VaR		
		Average	Maximum	Minimum
Interest [1]	14,232	12,150	20,178	7,005
Exchange rate [1]	1,717	1,646	5,692	475
Equity [1]	2,024	2,113	4,751	1,026
Vega and correlation	5,009	5,487	6,985	4,243
Diversification effect	(2,559)	(2,357)	-	-
TOTAL	**20,424**	**19,040**	**28,314**	**12,918**

(1) Includes gamma risk of fixed-income, exchange rate and equity options, respectively. Interest risk includes the spread.

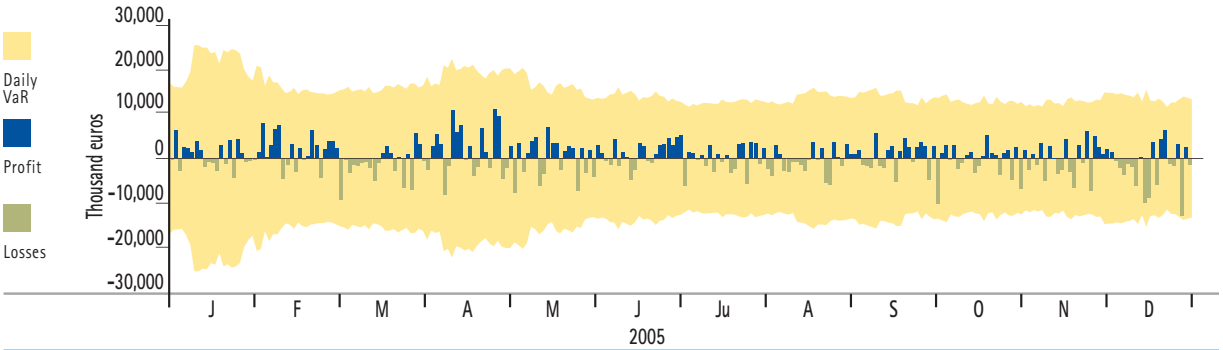
Regarding average limits use by the Group's main business units, as calculated without exponential smoothing, it amounted to 23% for trading rooms in developed markets, 66% for the Bancomer trading room and 50% for the remainder of Latin America trading rooms.

The back-testing comparison performed with management results for the BBVA SA perimeter market risk in 2005, which makes a day-to-day comparison between positions results and risks level estimated by the model, confirms the adequacy of the risk management model.

Market risk. Average use of limits in 2005
(Percentage)



BBVA, SA internal back-testing model (Overall risk. VaR versus daily earnings)



Credit risk in market activities

The credit risk in OTC financial instruments is calculated by considering the daily marking to market of the positions held, plus an estimate of maximum potential increase in value through to maturity.

The measurement system is based on Monte Carlo simulation for all operations:

- It takes into account the portfolio effect, considering correlations that exist between the different market variables, thereby reflecting the offsetting effect between transactions.
- It incorporates the term effect, whereby portfolios comprising short and long-term operations are dealt with jointly.
- It measures risk with counterparties with whom legal netting and collateral contracts are set (ISDA, CSA, CMOF, etc.).
- It enables exotic products to be measured adequately.

The equivalent maximum credit risk exposure to counterparties at year-end 2005 was €15,777m, with a year-on-year increase of 25%.

The policy of entering into netting and collateral agreements continued. The overall reduction – in terms of exposure – due to master agreements is €10,749m, reducing the gross figure of €15,777m to a net risk of €5,028m.

The net market value of the instruments mentioned in the portfolio at year-end 2005 is €1,254m, with 75 month average residual term, whereas the gross replacement value is €12,951m.

The accompanying table shows the distribution by maturities of the equivalent maximum exposure amounts with OTC financial instruments.

OTC DERIVATIVES. EQUIVALENT MAXIMUM EXPOSURE

(Million euros)

OTC financial instruments	Gross replacement value	Net replacement value	Equivalent maximum exposure	Weighted average term
IRS	10,032	1,715	12,120	68
FRAs	24	13	31	12
Interest rate options	509	(154)	606	56
OTC interest rate diversification			(25)	
TOTAL OTC INTEREST RATE	**10,565**	**1,575**	**12,732**	**68**
Forward FX	633	42	1,308	31
Currency swaps	419	58	788	66
Currency options	102	(92)	92	23
OTC exchange rate diversification			(309)	
TOTAL OTC EXCHANGE RATE	**1,155**	**8**	**1,879**	**58**
OTC equity	623	(588)	728	31
Fixed income and others	609	260	986	121
OTC equity and others diversification			(146)	
TOTAL OTC EQUITY AND OTHERS	**1,231**	**(328)**	**1,569**	**110**
TOTAL DIVERSIFICATION			(404)	
TOTAL	**12,951**	**1,254**	**15,777**	**75**

DISTRIBUTION BY MATURITIES. MAXIMUM EXPOSURE IN OTC FINANCIAL INSTRUMENTS

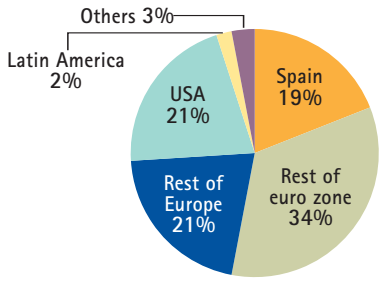
(Million euros)

	2005							
Type of product	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC interest rate	12,732	12,540	11,171	6,802	4,098	1,071	718	185
OTC exchange rate	1,879	1,202	798	438	248	79	58	1
OTC equity and others	1,522	1,569	1,527	1,071	734	543	425	91
Total diversification	(358)					(1)		
TOTAL	**15,777**	**15,312**	**13,496**	**8,311**	**5,080**	**1,692**	**1,201**	**277**

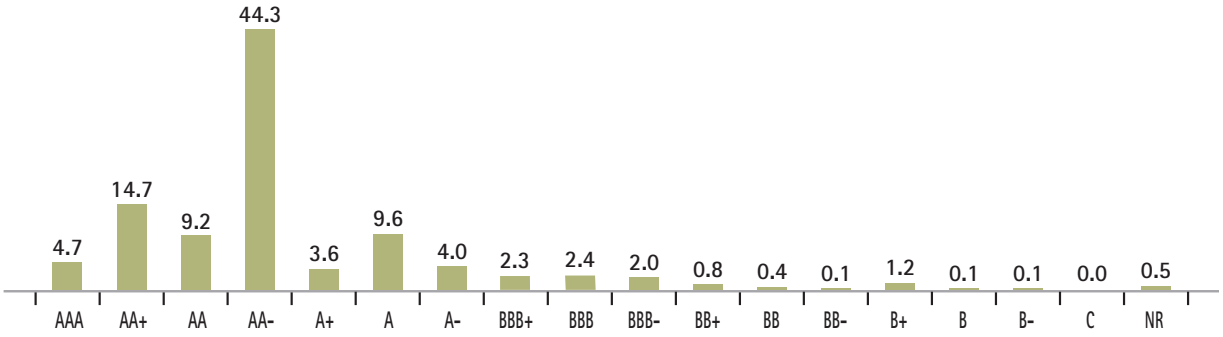
The counterparty risk assumed in this activity involves entities with a high credit rating, equal to or higher than A– in 90% of cases. The exposure is concentrated in financial entities (89%) with the remainder (11%) in corporations and obligors, and is suitably diversified.

By geographical areas, the greater weight lies in Europe (74%) and North America (21%), which account for 95% of the total.

Equivalent maximum exposure. Distribution by geographical areas
(Percentage)



Equivalent maximum exposure. Distribution by ratings (Percentage)



STRUCTURAL RISKS

Structural interest rate risk

The BBVA Group's exposure to variations in market interest rates is one of the financial risks inherent to banking. Both the parallel movements of yield curves and the change in their slope, as well as the embedded options sensitivity present in certain banking operations, are taken into account when assessing risk.

The Assets and Liabilities Committee (ALCO) actively manages the BBVA Group's asset and liability risk, excluding trading activity, in accordance with the exposure profile established by the BBVA Group. Decision-making explicitly considers interest rate risk measures, whose monitoring and supervision are carried out by the Risk Area, as an independent unit responsible for this assessment, as well as the design of systems for measuring, monitoring, reporting and supervising limits policies. The increasing sophistication of financial products and the strategies designed by the ALCO, as well as risk assessment models, have led in 2005 to the BBVA Group including new measurement tools in order to further enlarge upon its scope for calculation and analysis.

The accompanying table of gaps shows the different asset and liability items distributed by time buckets in accordance with their date of maturity or repricing, depending on whether they are fixed or variable rate.

MATRIX OF MATURITIES OR REPRICING DATES ON THE CONSOLIDATED BALANCE SHEET IN EUROS. EX TRADING ACTIVITY

(Thousand euros)

	Balance	1 month	1-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	As of 5 years
ASSETS									
Money market	22,152,972	11,371,856	6,368,653	2,998,655	53,257	107,798	430,407	613,376	208,969
Lending	151,893,957	26,451,775	38,874,654	70,207,121	4,563,639	3,365,508	2,083,676	1,384,401	4,963,182
Securities portfolio	31,892,613	5,904,803	1,544,025	8,305,483	4,554,387	2,467,314	2,397,515	570,977	6,148,109
Other sensitive assets	15,020,690	12,665,504	48,275	185,180	49,118	807,063	892,497	203,784	169,268
Derivatives	59,138,298	5,939,477	6,213,714	3,702,912	7,224,242	3,052,961	6,919,629	8,832,821	17,252,542
TOTAL SENSITIVE ASSETS	**280,098,530**	**62,333,416**	**53,049,322**	**85,399,351**	**16,444,644**	**9,800,644**	**12,723,723**	**11,605,360**	**28,742,071**
LIABILITIES									
Money market	11,889,969	8,579,119	2,638,078	603,658	-	-	-	-	69,114
Customer funds	78,986,774	16,906,164	6,087,826	6,517,900	589,579	11,164,717	1,169,648	18,569,199	17,981,740
Wholesale financing	70,514,749	7,202,093	28,074,446	2,547,345	3,500,734	536,475	5,287,789	7,588,348	15,777,519
Other sensitive liabilities	53,614,098	36,098,031	4,861,219	5,724,512	1,303,269	953,372	619,974	487,765	3,565,957
Derivatives	62,016,353	19,350,156	29,744,088	7,718,755	588,303	613,016	677,039	323,511	3,001,486
TOTAL SENSITIVE LIABILITIES	**277,021,944**	**88,135,562**	**71,405,658**	**23,112,169**	**5,981,885**	**13,267,581**	**7,754,450**	**26,968,822**	**40,395,816**
GAPS	**3,076,587**	**(25,802,146)**	**(18,356,336)**	**62,287,182**	**10,462,759**	**(3,466,937)**	**4,969,273**	**(15,363,463)**	**(11,653,745)**

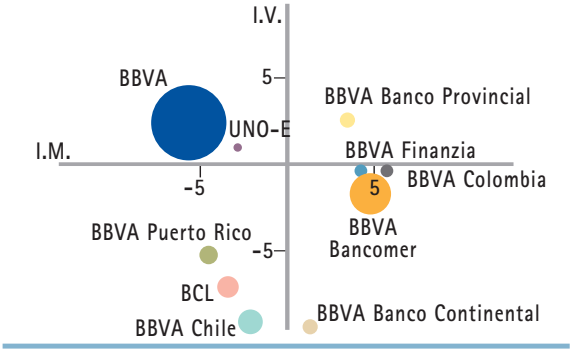
This characterisation of the balance sheet leads to an initial approach to repricing, complemented by the subsequent quantification of the impact on the net interest income and the economic value of the BBVA Group in the light of changes in market interest rates. The graph shows the interest rate risk profile for the BBVA Group's main entities.

Bearing in mind that sensitivity measures do not contain all sources of interest rate risk, an in-depth analysis has been carried out in 2005 on foreseeable scenarios and risk measurements on the basis of curve simulation processes, thereby enabling an assessment of different changes in slope, curvature and parallel movements to be made. These simulations provide statistical distributions of impact on net interest income and economic value, thereby specifying the maximum negative variations for a predetermined confidence level.

The limit structure for asset and liability interest rate risk was expanded in 2005 to include an economic capital limit for asset and liability interest rate risk, in addition to sensitivity limits for net interest income and economic value, which implies setting a 99% confidence level for unexpected economic losses through interest rate risk. This limit structure, which is approved annually by the Executive Committee, is one of the main tools the BBVA Group has for the risk supervision of asset and liability interest rate risk. The graph provided shows the average use of limits in 2005, in which interest rate risk has shown an upward trend within a context of rising interest rates.

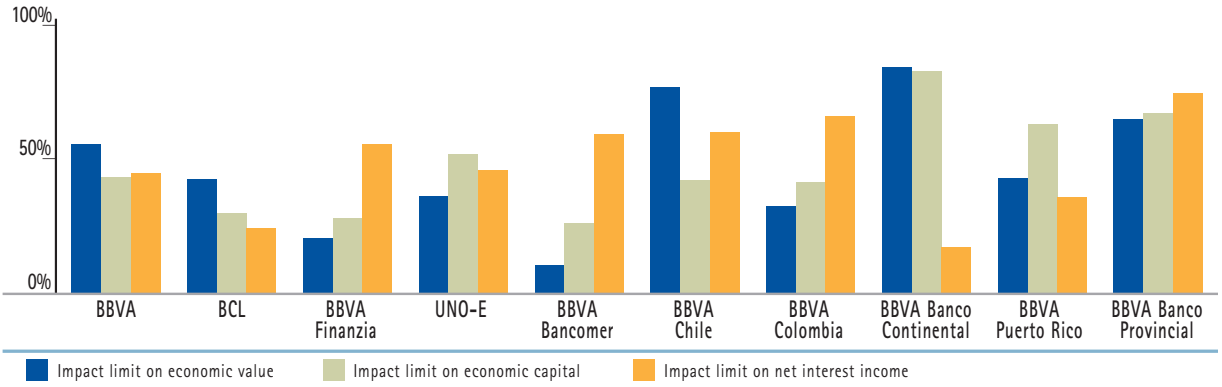
In 2005, the ALCO has adopted a hands-on approach to asset and liability interest rate risk, with both hedging derivatives and balance-sheet instruments. At year-end 2005, there is a fixed interest rate assets portfolio of €31,249m, with a view to offsetting or reducing the negative effect of the decline in interest rates on the Group's net interest income. In the year, the portfolio has generated €264m in net interest income and €80m in net trading income.

BBVA Group structural interest rate risk profile



I.M.: Impact on net interest income (%) I.V.: Impact on economic value (%)

Structural interest rate risk. Average use of limits



Structural exchange rate risk

The measurement of structural exchange rate risk quantifies the exposure to losses in the value of the BBVA Group's strategic positions as a result of exchange rate variations. Investments in Latin America, which account for a long position in foreign currencies, are the main source of structural exchange rate risk in the BBVA Group.

The Risk Area makes regular assessments on the basis of a 99% value-at-risk model based on stochastic simulations that also consider the possibility of exchange rate crises, adjusted to the specific characteristics of exchange rate markets and to the nature of structural exchange rate positions. The horizon is adjusted for each currency depending on market liquidity and existing management possibilities. This measurement constitutes the economic capital or unexpected loss through structural exchange rate risk, providing an individual breakdown of the contribution each currency makes to risk.

This calculation procedure is applied both to the net positions derived from the investment's net asset value, and to the results forecast, taking into account possible hedges of the exchange rate position by the ALCO.

Exchange rate risk management has been undertaken in 2005 with the strengthening of Latin American currencies against the dollar, as well as of the dollar against the euro. The net exposure of investment has increased over this period by the increased value of the holdings. Accordingly, the risk level has followed an upward trend, always within the limit for economic capital authorised by the Executive Committee and which, on average, has consumed 64% in 2005. The exchange rate risk of results in 2005 has been actively managed, with a significant part of the exposure being covered by the profits foreseen for 2006.

At year-end 2005, BBVA maintained a 44% global coverage of the BBVA balance sheet in the Americas, with levels of perfect hedge of 39% in Mexico, 100% in the United States, 75% in Chile and 29% in Peru. These coverage levels do not consider long positions in dollars upheld by certain affiliate banks at local level. In 2005, the transfer to reserves resulting from the strengthening of Group affiliate banks' base currencies against the euro has risen to almost €700m, whereas the financial cost of the capital hedge has been €57m net of tax. In addition, results hedging policy in 2005 has reduced the results of financial transactions by €70m net of taxes, a sum that has been offset by the higher than expected results, expressed in euros, that the Group's units in the Americas recorded.

Liquidity risk

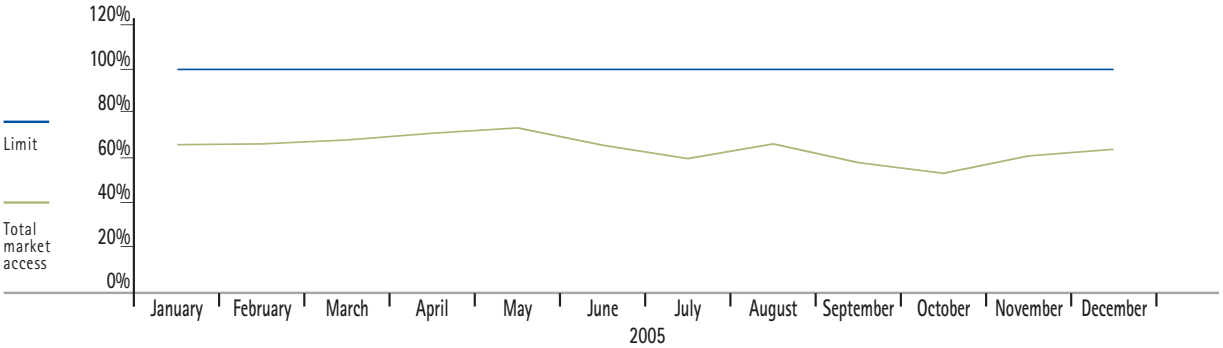
The ultimate goal of liquidity risk management and monitoring in the BBVA Group is to ensure that each unit meets its payment obligations, without having to obtain funds on burdensome terms.

The Risk Area assesses and monitors liquidity in a very different manner to the way it is managed. Accordingly, it permanently monitors quantitative and qualitative indicators that reflect the overall positioning in terms of liquidity, anticipating possible stresses both in the short term, basically up to 90 days, as in the medium term, and within a twelve-month horizon, as well as in the liquidity profile foreseeable for the coming years.

The limits structure authorised by the Executive Committee and reported and monitored by the Board's Risk Committee is again one of the key components of BBVA policy on liquidity management and supervision. It encompasses such aspects as, for example, the concentration degree, the capacity for market access, the future repercussions of the business model and different qualitative elements that underpin the market situation and the perception it has of the entity.

In addition, analyses are made of stress scenarios and payment and collection flow simulations in order to assess the impact of hypothetical scenarios on both assets and liabilities and on book results. These analyses are part of the crisis situation liquidity monitoring model as outlined in the Contingency Plan, which lays down responsibilities and actions to be taken in the

Liquidity risk. Use of BBVA's total market access limit (Monthly average)



event of system-wide stress or that specific to liquidity.

Generally speaking, there have been no liquidity stress situations in 2005. Accordingly, the consumption of authorised limits in BBVA has been moderate, with levels averaging between 40% and 65% in the main parameters.

Structural risk management in the equity portfolio

The BBVA Group's exposure to structural risk in the equity portfolio stems largely from holdings in industrial and financial companies with medium/long-term investment horizons, reduced by the net short positions held in derivative instruments over the same underlying assets in order to limit the portfolio's sensitivity in the event of possible upsets in share prices or stock market indices.

Regarding the internal structural risk management of the equity portfolio, the Executive Committee sets out the risk policies for the business units and approves the maximum limits for the risk assumed in positions of this nature. The Risks area effectively monitors the levels of risk assumed, assessing it and ensuring compliance with prevailing limits and policies. Regarding discretional positions, and in addition to stop-loss limits laid down by strategy and by portfolio, establishment is made of an early warning system for results (loss-triggers) which forestall the possible exceeding of those limits.

The internal model for measuring economic capital attributed to the Group's positions in structural risk in the equity portfolio is based on a statistical analysis of assets, for a horizon determined by the liquidity of the positions and with the confidence level corresponding to the entity's objective rating.

The average consumption of the main economic capital limits has stood at 53% in 2005. The favourable trend in stock market prices over the year has involved a moderate increase in the sensitivity of the Group's positions in structural risk in the equity portfolio on a year-on-year basis, which has been partially offset by the divestments effected and by hands-on management through derivative instruments. The aggregate sensitivity figure for the Group's equity positions in the event of a 1% drop in share prices amounts, at year-end 2005, to €84m, with 75% concentrated in highly liquid equity in the European Union.

● OPERATIONAL RISK

Management model. BBVA is a pioneering bank in the formulation of a process management model that considers operational risk as a form of risk that is different to credit and market risk. This is reflected in the in-house definition the Group uses: operational risk applies to anything that is not credit or market risk.

This is a highly complex type of risk, due both to the causes that give rise to it and to its consequences. Unlike other credit risk, there is no admission area. In fact, all the processes that

take place in the Group have, to a greater or lesser extent, operational risk.

Given that operational risk is present in all Group processes, it is held responsible when the final outcome of a process does not turn out as planned, if this deviation cannot be attributed to credit or market risk. This definition provides a better meaning of operational risk, as long as it is located within its natural setting, namely, in processes.

In order to facilitate its management, risk needs to be identified, measured, assessed and mitigated. A set of tools has been designed accordingly to help raise awareness on it and which enable it to be gauged over time. These tools are divided into two groups: qualitative and quantitative. The former are used to identify and measure operational risk without there being a need for events to occur. On the other hand, quantitative tools measure operational risk once the events have occurred.

They all share a breakdown of risk into eight major categories:

1) Processes: human error, mistakes in operating procedures
2) External fraud: criminal activities committed by persons unrelated to the Institution
3) Internal fraud: criminal activities committed by Group staff and unauthorised activities
4) Technology: computer failures (hardware and software) or breakdowns in communications
5) Human resources: failures in human resources policy. Health and safety at work
6) Commercial practices: poor sales practices and faulted products
7) Disasters: damages to assets caused naturally or intentionally
8) Suppliers: non-fulfilment of services arranged.

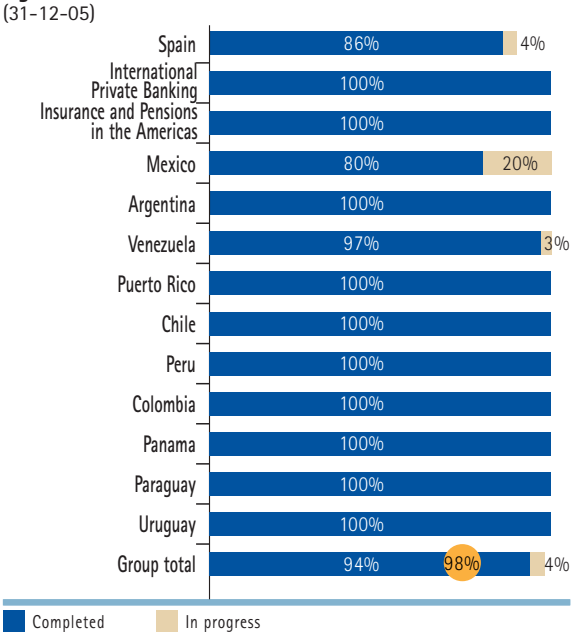
Operational risk management in business and support areas is arranged through an Operational Risk Committee in each area, consisting of those people responsible for process management and with decision-making powers for changing them. Each area has someone in the position of Operational Risk Manager (*GRO*) to coordinate these tasks. Based on the information available in the different corporate tools implemented in each unit, the Operational Risk Committee meets regularly at the request of the *GRO* and takes the necessary decisions on mitigation, bearing in mind their cost.

Implementation of the tools. In 2005, the Group has pursued a far-reaching implementation scheme with a view to completing the risk map. There follows a detail of the situation at year-end 2005:

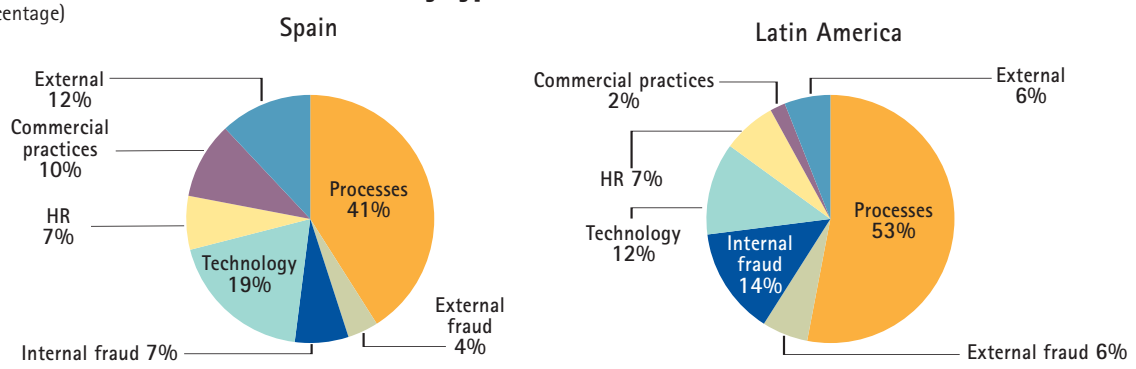
Ev-Ro: This is the basic qualitative tool for the identification and valuation of operational risk factors by business or shared resources areas. The collated data are used to draw up risk maps (distribution by types of risk and support areas). This Group tool identifies risk factors that lead to losses with a bearing on the books, as well as other factors leading to profit loss, that is, the loss of future revenue.

Amongst those risk factors that have been identified so far, 20% are deemed to be high priority. These risk factors are not all different, as it is quite often the case that some of them are repeated in different areas. At year-end, the implementation degree in the Group stood at 98% (94% completed and 4% underway), as is shown in the accompanying graph.

Ev-Ro implementation degree by countries
(31-12-05)



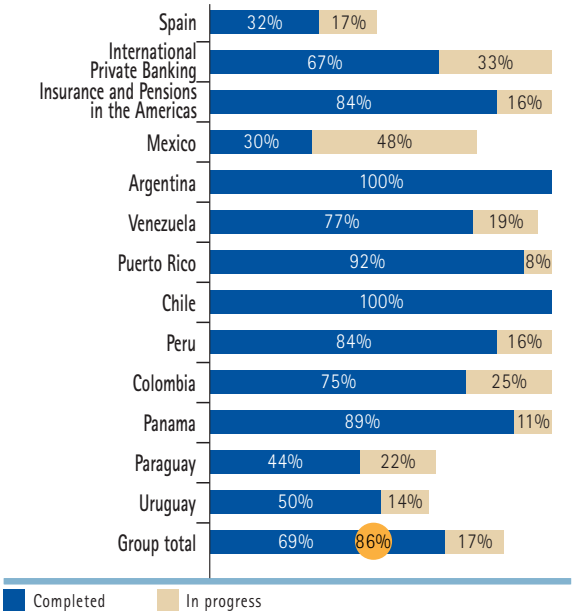
Past distribution of risk assessed by types of risk
(Percentage)



The above graph shows a display of risk factor distribution, by types of risk, in both Spain and Latin America. The quantification of operational risk factors facilitates the development and implementation of measures for mitigating each risk.

TransVaR: This is an operational risk management tool that uses indicators. It is a hybrid tool, as it has both qualitative and quantitative aspects. The data input takes place within the units that manage the processes by gathering basic indicators that provide data on 22 generic indicators common to the entire Group. It has been noted that the level of operational risk clearly diminishes in those units that have implemented this tool. Its implementation degree at the end of 2005 stood at 86%, as shown in the accompanying graph.

TransVaR implementation degree by countries (31-12-05)



SIRO: This is the key quantitative tool. It is a corporate database that, since January 2002, contains all those operational risk events that constitute a heavy loss or cost for the organisation. Events are classified by types of risk and business lines. There is a local Siro in each country that uploads its data each month into a Global Siro, where they are consolidated.

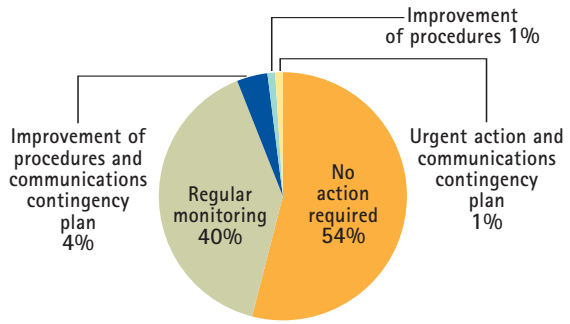
External databases are also used in the Group. Thus, BBVA is one of the founding members of the world's first database created for such purposes: Operational Risk Exchange (ORX), a non-profit organisation located in Zurich whose purpose is to disclose, on an anonymous basis, operational risk events exceeding €20,000. This information serves a dual purpose: on the one hand, it completes the data held when calculating capital and, on the other, it is used as a benchmark. ORX was set up in 2002 with 12 members, and it currently consists of 23 of the world's major banks.

Reputational risk. RepTool is the tool for the qualitative management of reputational risk in the Group. Corporate reputation is an intangible asset that each company projects onto its investors, customers and employees (both current and potential), resulting in attraction, rejection or indifference. BBVA understands reputational risk to be what exposes us to uncertainty as a result of the

perception that different groups may have of our entity. The stakeholders most affected are customers, shareholders and employees. Reputational risk is a consequence of the materialisation of other kinds of risk, mainly operational risk.

The scheme for implementing RepTool has continued in 2005, and by year-end 2005 it had been completed in the following units: Global Markets and Distribution, International Private Banking, Global Corporate Banking, Products and Businesses and Special Financial Services. A total of 334 factors have been identified for reputational risks, which are circumstances that have the potential to become reputational events. RepTool classifies these risk functions in terms of the type of action required to mitigate them. The accompanying graph shows risk distribution in terms of action plan.

Reputational risk factors by type of action



Basel II. The BBVA Group has informed the Bank of Spain of its intention to rate operational risk in AMA (advanced management approaches). This is the most demanding methodology in terms of information gathering and management. Accordingly, successful completion requires a two-year transition period, beginning in January 2006. During this time, implementation is to be made of qualitative and quantitative tools, risk capital is to be calculated and the Group is to prove it has management mechanisms capable of mitigating risk, wherever this is important.

Operational risk capital. The first estimates have been made in 2005 for operational risk capital as per AMA models. Within the range of possible approaches, use has been made of the LDA (Loss Distribution Approach) method, which estimates the distribution of losses in accordance with the operational events an entity has to face, by adjusting accordingly two factors that, in turn, determine it: the frequency of events and their impact.

The calculations made use SIRO as their main source of information. In order to enrich the data provided by this in-house database and consider the impact of possible events not yet included in it, use has been made of the ORX external database and scenario simulation has also been included, with information provided by the Ev-Ro tool.

RISK MANAGEMENT IN NON-BANKING ACTIVITIES

Insurance. BBVA operates in the insurance sector in different countries and with multiple products. Given that the main business of insurance companies is to provide risk coverage for third parties, risk management serves a threefold purpose:

1) To continuously improve risk assessment and management techniques in order to ensure that current products are increasingly competitive and, therefore, generate more value for both customers and company alike.
2) To permit the launch of products that cover new risks, with a joint perspective of risk control and value creation.
3) To introduce those controls and metrics that at all times ensure companies uphold the solvency the Group requires.

In the insurance business, and in addition to credit and market risk companies are exposed to, there are technical risks, such as those related to the performance of risks they insure for third parties. Concerning technical risks, an analysis is made of: a) mortality rates, which affect life assurance and accident insurance; b) life-expectancy rates, which affect endowment policies and annuities; c) other technical risks involving “general risks” (cars, homes, etc.).

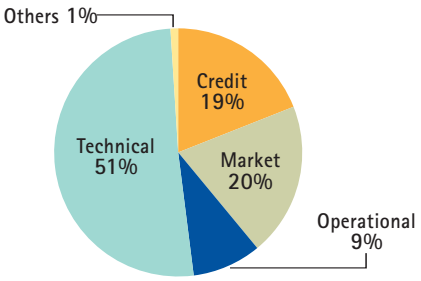
Furthermore, operational risk control is very important, as several processes coexist in the company: a) investment management, in which the business activity is akin to an asset management firm; b) customer management, due to product marketing through the Group's networks or those pertaining to its companies or third parties; c) claim management, through the treatment of events that had been previously covered by the company.

An analysis has been undertaken throughout the year of companies' core products and a review has been made of the calculation of economic capital, fine-tuning methodologies in accordance with central BBVA criteria.

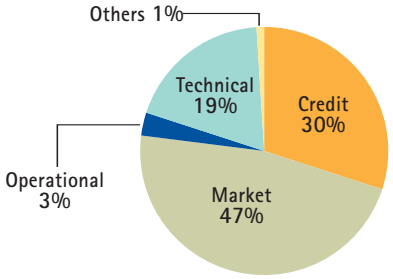
Insofar as new products, each launch involves an analysis of the embedded value and its risk-adjusted return, as well as the economic capital consumed.

Limits have likewise been laid down for credit and market risk as approved by the Group's Executive Committee and supervised by Risk units (both centrally and in each business area).

Insurance in Europe. Economic capital distribution by type of risk



Insurance in the Americas. Economic capital distribution by type of risk



Asset Management. BBVA is present in various facets of the asset management business: mutual funds, pension funds, UDI trusts, investment companies and discretionary portfolios.

The Group has entities dedicated to third-part asset management (trust management) in numerous countries, whose aim, in return for a fee, is to manage risks to the account of third parties with two possible investment mandates: maximise returns for an expected level of risk or optimise risk for an expected level of returns.

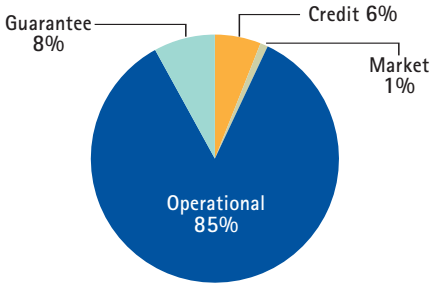
Therefore, from the perspective of risks, the duty of trusteeship undertaken with the customer involves the following: use of the finest technology available in order to assess how risk and returns are best combined for each investor profile and remit; ensure the ability to identify, measure and assess the risks assumed by the investor; identify and address possible conflicts of interest that might arise; and inform the investor in a clear manner about the risks assumed and the returns obtained.

In view of the fact that, generally speaking, here it is the customer who assumes the credit and market risks, the most important risk is the operational one, which stems from two basic sources (through selection, performance of transactions, monitoring, etc.) and customer management (through the process of calculation and assessment, information, subscriptions and reimbursements, etc.).

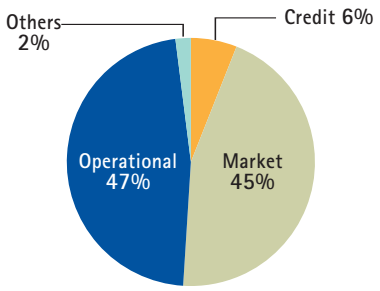
The Group is currently developing the process of adapting customers to their risk profile, as well as providing clear information on the results obtained in terms of risk and returns. The inclusion of volatility metrics, index-backed returns, value at risk, etc., have yet to become standard practice in the market, and the focus is on reporting what best suits each type of product and what the investor more readily understands.

Regarding guaranteed funds, the provision of the guarantee is assessed and monitored by the Bank, in terms of embedded options and taking into account both market and credit risk. This assessment is complemented by an admission procedure for each new guaranteed fund.

Asset Management and Private Banking in Spain and Portugal. Economic capital distribution by type of risk



Pensions in the Americas. Economic capital distribution by type of risk



Credit and market risk limits have been introduced for the investment in equity approved by the Group's Executive Committee and supervised by Risk units.

The management model. The Group has two aims in risk management in the Insurance and Asset Management units: a) the use of homogenous methods and processes applying a company-wide standard; b) assessment through the risk departments in each company.

The achievement of this dual objective implies a two-tier organisation:

1) A dedicated Non-banking Central Risk unit in the Group, whose mission it is to provide companies with all collective experience and shared methodology in terms of risks, as well as ensure that each company undertakes the proper identification, measurement, assessment and supervision of risks. The Group, therefore, is the one to define the methods to be used in all business activities, guaranteeing homogeneity in the treatment of each type of risk and thereby enabling aggregation.
2) Risk units in the business areas, focusing on risk identification, measurement and assessment, applying Group methods and reporting to the Central Unit. Accordingly, they implement methods and procedures that are established for the Group as a whole and carry out all those duties required for proper risk monitoring to facilitate business development.

This arrangement allows for centralised supervision with decentralised assessment, thereby streamlining the process.

A key component in the risk management model in these areas is the New Products Committee where, convened by Risk units in the business areas, all departments adopt a multidisciplinary approach to the review and validation of the new products to be offered to customers, new assets for portfolios and new activities to be undertaken.

BUSINESS AREAS

- RETAIL BANKING IN SPAIN AND PORTUGAL
- WHOLESALE AND INVESTMENT BANKING
- THE AMERICAS
- CORPORATE ACTIVITIES

This chapter presents the activity and results of the BBVA Group broken down so as to show the individual contribution of each business area.

Following introduction of IFRS, the Group has restated the information on business areas in 2004 in accordance with the financial statements, so that the year-on-year comparisons provided have a uniform basis.

Information by area is a basic tool for monitoring and controlling the Group's various businesses. Preparation starts at the lowest level where all the initial accounting data for the business in question are recorded. Data from these units are classified and combined in accordance with the defined structure to arrive at the picture for the entire area. The individual companies that make up the Group are also allocated to the different business areas. When the diversity of a company so requires, its activity and results are attributed to different units.

Once the composition of each business area is determined, the management adjustments inherent in the model are applied. The most significant of those adjustments are the following:

- Capital: the Group allocates economic capital commensurate with the risks incurred by each business. It assesses capital requirements according to the lending, market and operational risks incurred. The first step is to quantify the amount of core equity (capital plus reserves) attributable to the risks in each area. The bank uses this amount as a basis to determine the return generated on the equity in each business (ROE). Following this, the remaining eligible funds issued by the Group (eligible subordinated debt and preferred shares) are allocated along with their associated costs. In the Americas business area (except Argentina and international private banking, where the previous criteria are maintained), the capital assigned is the theoretical book value of the stake held by the BBVA Group. The amounts related to minority interests are recorded under "Other eligible capital".
- Internal transfer prices: management uses rates adjusted for maturity to calculate the margins for each business. It also revises the interest rates for the different assets and liabilities that make up each unit's balance sheet.
- Allocation of operating expenses: in line with the new accounting criteria, procedures for attributing expenses have been improved. Direct and indirect expenses are allocated to business areas except for those where there is no close and defined relationship with the areas, ie, they are of a clearly corporate or institutional nature for the Group as a whole.

In information by areas, the main level is that of businesses: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, and the Americas. This corresponds to the first tier of management of the Group. Information on the most significant units of each business is also presented as follows:

- Retail Banking in Spain and Portugal:
  - Financial Services (including Commercial Banking, SME Banking and Finanzia/Uno-e)
  - Asset Management and Private Banking
- Wholesale and Investment Banking:
  - Wholesale Banking (including Global Corporate Banking and Institutional Banking)
  - Global Markets and Distribution
- The Americas:
  - Banks in the Americas
  - Pensions and Insurance.

The Corporate Activities area handles management functions for the Group as a whole. These consist of structural positions on interest and exchange rates, liquidity and shareholders' funds. It also includes the unit that manages the industrial portfolio and financial holdings.

The second tier is geographical: information is presented country by country in the Americas, covering banking activities, pensions and insurance in each one. Mexico is particularly significant, so its full income statement is presented (combining the statements of Bancomer and of the pensions and insurance business conducted in that country). Finally and to complete the geographical perspective, business in Europe is

made up of the aggregate of the activities carried out by Retail Banking Spain and Portugal and those of Wholesale and Investment Banking.

Thus the composition of the main business areas of the Group is as follows:

- **Retail Banking in Spain and Portugal:** this includes retail, asset management and private banking business conducted by the Group in Spain and Portugal. It therefore covers individual customers and SMEs in the domestic market, the Finanzia/Uno-e group (engaged in e-banking, consumer finance, distribution of card products and renting activities), private banking business, mutual and pension fund managers, insurance business and BBVA Portugal as well as the Depository unit.
- **Wholesale and Investment Banking:** this covers the Group's business with large companies and institutions through domestic and international corporate banking, and institutional banking. It also incorporates business done on trading floors in Spain, Europe and New York, origination and distribution of equities, depositary and custodial services. It includes business and real estate projects not carried out through Group holdings in major corporations.
- **The Americas:** this area covers the activities and results of the Group's banks in the Americas and of their subsidiary undertakings, including pension managers, insurance companies and international private banking.
- **Corporate Activities:** this includes Holdings in Industrial and Financial Companies, as well as the activities and results of supporting units such as the ALCO. In addition, this caption also includes certain provisions, such as those corresponding to early retirement, and other corporate provisions and costs of central units with strictly corporate functions.

This area-based structure stems from the internal organisation for management and monitoring of business units within the BBVA Group established during 2005.

The information on each principal area and on the units into which it is divided comprises the income statement and a set of key management indicators. In the case of units in the Americas, year-on-year percentage changes calculated at constant exchange rates as well as at current rates are provided for the various line items.

NET ATTRIBUTABLE PROFIT BY BUSINESS AREAS

(Million euros)

	2005	Δ%	2004
Reatail Banking in Spain and Portugal	1,614	13.1	1,427
Wholesale and Investment Banking	592	46.6	404
The Americas	1,820	52.3	1,195
Corporate Activities	(219)	113.3	(102)
BBVA GROUP NET ATTRIBUTABLE PROFIT	**3,806**	**30.2**	**2,923**

ROE AND EFFICIENCY

(Percentage)

	ROE		Efficiency including depreciation and amortization	
	2005	2004	2005	2004
Retail Banking in Spain and Portugal	32.1	32.5	43.3	45.6
Wholesale and Investment Banking	25.9	17.7	29.7	33.2
The Americas	33.8	26.1	46.4	48.7
BBVA GROUP	**37.0**	**33.2**	**46.7**	**48.6**

Retail Banking in Spain and Portugal

- Financial Services
  - Personal Financial Services
  - Commercial Financial Services
  - Special Financial Services
- Asset Management and Private Banking
- Insurance in Europe
- BBVA Portugal

Retail Banking in Spain and Portugal is the Group area that manages three classes of customers in separate ways: private individuals (personal financial services); small businesses, retailers, the self-employed and small and medium enterprises (commercial financial services); it also deals with consumer finance, automobile loans, card distribution, renting and e-banking (special financial services). The latter includes Finanzia, Finanzia Autorenting, Finanziamento Portugal and Uno-e.

Through a global approach and a commitment to innovation in order to meet customer requirements with a personalised response, the area caters for distribution and the development and launch of new products and services. The workforce numbers 25,792 people and there are 3,558 branches in the network, of which 106 are located in Portugal.

The defining features of 2005 were the sustained growth of the main business indicators and the area's earnings. The strong level of business activity together with a pricing policy consistent with low interest rates, the development of new business lines and appropriate cost control led to a 13.1% year-on-year increase in operating profit and an improvement in the cost/income ratio including depreciation (which fell by over 2 points to 43.3%). The increase in operating profit boosted net attributable profit by 13.1% to €1,614m. ROE rose to 32.1% during the year.

The positive figures on the upper part of the income statement were mainly generated by net interest income. This rose 5.6% to €3,182m, reflecting a sustained increase in banking business related to private individuals, SMEs and small businesses. This activity was also complemented by action taken to defend spreads and customer funds in a highly competitive environment.

Lending by the area at 31-Dec-05 came to €127,959m. It grew 20.1% in the year, supported by increases of 22.9% in market mortgages (21.1% in residential and 32.7% in developer finance) as well as by a 22.5% rise in SMEs and small businesses and 8.5% in consumer finance.

INCOME STATEMENT
(Million euros)

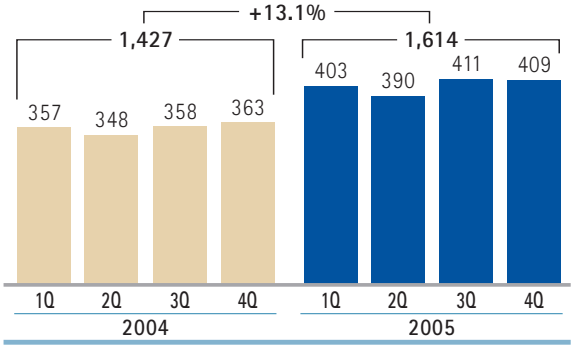
	Retail Banking in Spain and Portugal			Memorandum item:					
				Financial Services			Asset Management and Private Banking		
	2005	Δ%	2004	2005	Δ%	2004	2005	Δ%	2004
NET INTEREST INCOME	**3,182**	**5.6**	**3,015**	**3,129**	**5.9**	**2,956**	**35**	**7.6**	**32**
Net income by the equity method	1	(29.7)	1	-	n.m.	-	1	1.2	1
Net fee income	1,602	8.5	1,477	1,470	8.3	1,358	240	9.2	219
Income from insurance activities	309	20.3	257	-	-	-	-	-	-
CORE REVENUES	**5,094**	**7.2**	**4,750**	**4,599**	**6.6**	**4,314**	**275**	**9.0**	**252**
Net trading income	108	96.3	55	101	102.2	50	4	280.5	1
ORDINARY REVENUES	**5,203**	**8.3**	**4,805**	**4,700**	**7.7**	**4,364**	**279**	**10.2**	**254**
Net revenues from non-financial activities	23	(16.2)	27	25	(9.7)	27	-	-	-
Personnel and general administrative expenses	(2,250)	3.2	(2,179)	(2,077)	3.2	(2,014)	(80)	5.9	(75)
Depreciation and amortization	(103)	(3.9)	(107)	(88)	(6.8)	(95)	(4)	7.6	(4)
Other operating income and expenses (net)	49	35.6	36	51	34.0	38	(1)	1.1	(1)
OPERATING PROFIT	**2,922**	**13.1**	**2,583**	**2,611**	**12.5**	**2,322**	**194**	**12.2**	**173**
Impairment losses on financial assets (net)	(474)	15.9	(409)	(458)	17.8	(389)	(11)	n.m.	(1)
• Loan loss provisions	(476)	16.3	(409)	(458)	17.7	(389)	(11)	n.m.	(1)
• Other	2	n.m.	-	-	n.m.	-	-	n.m.	-
Provisions (net)	-	n.m.	(4)	1	n.m.	(3)	-	(99.5)	-
Other income/losses (net)	21	80.4	12	23	69.6	14	-	(67.6)	(1)
• From disposal of equity holdings	11	n.m.	3	10	n.m.	1	-	(100.0)	1
• Other	10	14.5	9	13	4.0	12	-	(89.4)	(2)
PRE-TAX PROFIT	**2,469**	**13.2**	**2,181**	**2,177**	**12.1**	**1,943**	**183**	**6.9**	**171**
Corporate income tax	(852)	13.4	(751)	(752)	11.4	(676)	(64)	7.9	(59)
NET PROFIT	**1,618**	**13.1**	**1,430**	**1,425**	**12.4**	**1,268**	**119**	**6.3**	**112**
Minority interests	(4)	13.1	(4)	(3)	17.5	(2)	(1)	28.9	(1)
NET ATTRIBUTABLE PROFIT	**1,614**	**13.1**	**1,427**	**1,422**	**12.4**	**1,265**	**118**	**6.1**	**111**

RELEVANT BUSINESS INDICATORS
(Million euros and percentages)

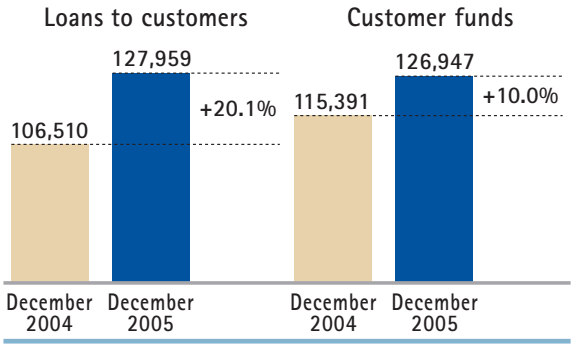
	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04
Loans to customers [1]	127,959	20.1	106,510	123,210	20.0	102,672	1,355	62.0	837
Customer deposits	58,265	10.6	52,679	54,957	10.6	49,671	1,189	(6.5)	1,271
• Deposits	58,157	10.6	52,596	54,898	10.7	49,608	1,140	(8.8)	1,251
• Assets sold under repurchase agreement	108	30.3	83	59	(5.0)	63	49	138.2	20
Off-balance-sheet funds	61,636	10.6	55,719	47,588	10.1	43,217	13,034	11.0	11,740
• Mutual funds	46,232	10.1	41,988	39,691	9.2	36,342	5,842	14.2	5,117
• Pension funds	15,405	12.2	13,731	7,897	14.9	6,875	7,192	8.6	6,623
Other placements	7,153	1.1	7,076	6,619	0.7	6,576	534	6.8	500
Customer portfolios	11,459	30.7	8,768	2,044	67.0	1,224	9,415	24.8	7,544
Equity	8,192	10.4	7,422	7,159	14.9	6,232	267	(31.9)	392
• Shareholders' funds	5,208	9.9	4,741	4,552	14.3	3,984	166	(32.6)	247
• Other eligible funds	2,984	11.3	2,682	2,607	16.0	2,248	101	(30.8)	145
Total assets [2]	135,293	19.6	113,127	129,003	19.5	107,989	1,870	(6.7)	2,005
ROE (%)	32.1		32.5	33.5		34.5	46.7		51.5
Efficiency ratio (%)	41.4		43.4	42.1		43.9	28.4		29.6
Efficiency incl. depreciation and amortization (%)	43.3		45.6	44.0		46.1	29.9		31.1
NPL ratio (%)	0.62		0.82	0.62		0.83	0.03		0.04
Coverage ratio (%)	315.7		249.1	315.4		248.8	n.m.		n.m.

(1) Excluding NPLs.
(2) Excluding insurance.

Retail Banking in Spain and Portugal
Net attributable profit (Million euros)



Retail Banking in Spain and Portugal
(Million euros)



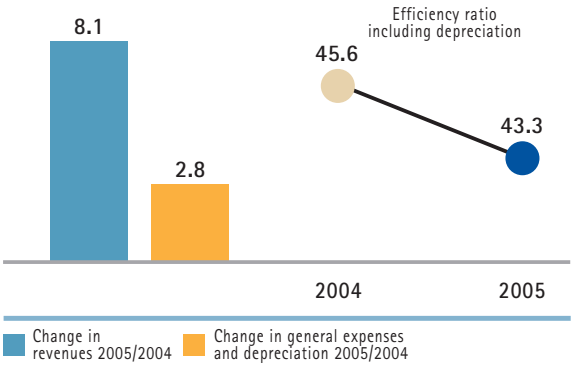
Total funds under management by the area (deposits, mutual and pension funds, and other brokered products) grew 10.0% during the year to €126,947m. All types performed well, although the biggest increases were in stable deposits. Term deposits increased 20.2% (financial insurance products 30.1%), mutual funds rose 10.1% and pensions 12.2%. In addition, transactional deposits increased 5.1%.

Higher business activity was also responsible for growth in net fee income, which rose 8.5% to €1,602m. Fees increased by 12.1% (to €922m) on banking services and by 3.9% (to €680m) on mutual and pension funds. Furthermore, the development and distribution of insurance products contributed €309m (up 20.3% on 2004).

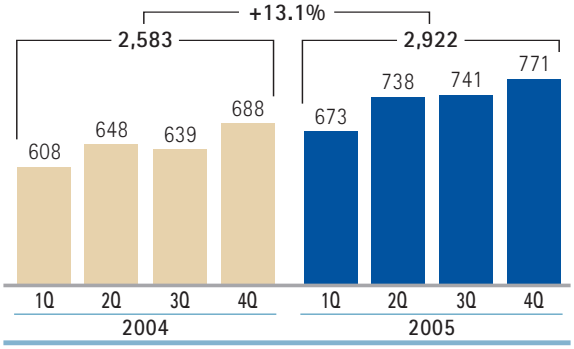
Higher net interest income, fees and insurance boosted core revenues 7.2% to €5,094m. In addition, distribution of cash management products in the SME and small businesses segment lifted net trading income to €108m. This figure is nearly twice that of 2004. Ordinary revenues thus climbed 8.3% to €5,203m. Costs (personnel, overheads, amortisation and depreciation, net of recoveries) were up only 2.8%, which is less than half the increase in ordinary revenues, despite the addition of 161 offices to the branch network. Consequently the cost/income ratio, including depreciation, improved 2.3 points to 43.3% (45.6% in 2004).

The area's operating profit in 2005 climbed 13.1% to €2,922m. The loan loss provisions of €476m and their 16.3% increase are mainly due to generic provisioning. They remained at maximum level during the year but increased in accordance with the level of lending activity. However, specific provisions remained low as a

Retail Banking in Spain and Portugal
Efficiency (Percentage)

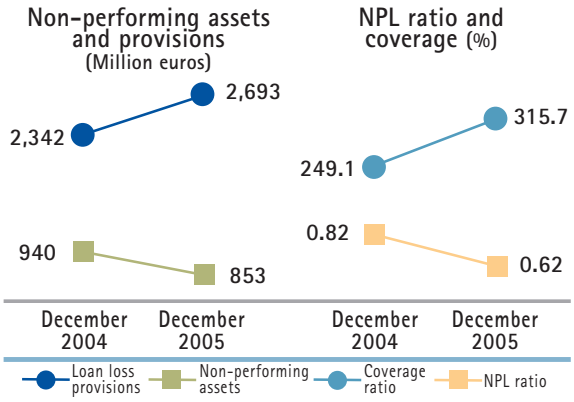


Retail Banking in Spain and Portugal
Operating profit (Million euros)



consequence of the improvement in asset quality. Despite the increase in lending activity, non-performing loans declined 9.3% in the last twelve months. The non-performing loan ratio fell to 0.62%, compared to 0.82% at 31-Dec-04. Coverage increased to 315.7% (249.1% at the end of 2004).

Retail Banking in Spain and Portugal



FINANCIAL SERVICES

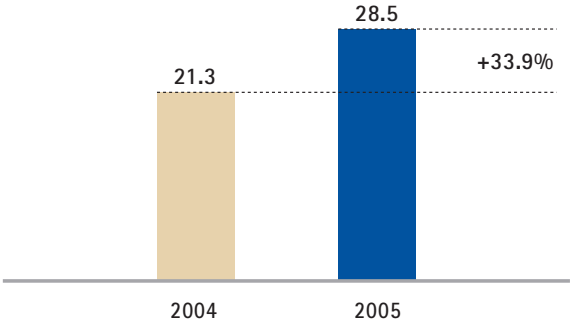
Personal, commercial and special financial services accounted for almost 90% of the area's total earnings. Operating profit in the year came to €2,611m, a rise of 12.5% over 2004. Net attributable profit was €1,422m (up 12.4%). Lending and funds under management came to €123,210m and €109,104m, respectively, following increases of 20.0% and 9.8%.

PERSONAL FINANCIAL SERVICES

Personal financial services (*SFP*), the management model for private individuals in which BBVA led the field in its formulation and launch three years ago, recorded a 33.9% increase in commercial productivity (the average number of products sold per manager) over 2004, as a result of an offer that advanced in terms of personalisation and guidance, as well as in quality levels and in value creation for customers.

The growing personalisation of services advanced through products was one of the

Commercial productivity
(Average monthly number of products sold per manager)

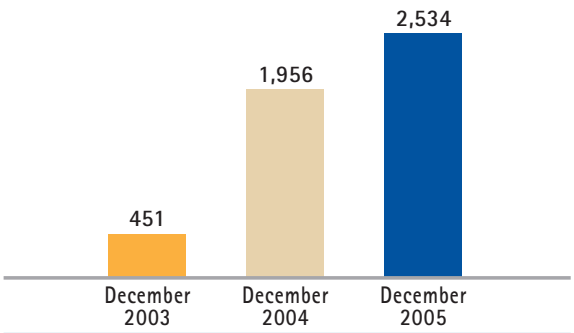


year's more outstanding features. Innovation in the approach to lending involved the launch of new products and a more flexible arrangement of those already existing, with the dual purpose being to grant customers greater access to home-buying and to consumer products and services, whilst at the same time strengthening their ties with BBVA. Regarding fund-gathering activities, a highlight was the launch of *Cuentas Claras* (Clear Accounts), with a reduction in the price of various types of services (financial, legal assistance, household, etc.). Furthermore, a boost was given to the savings campaign as an instrument for gathering transactional deposits and, in term deposits, the management of a stable catalogue was combined with the launch of new products.

The greater degree of guidance, whose maximum exponent is *Carteras Gestionadas* (Managed Fund Portfolios), was another of the mainstays of progress for personal financial services. Accordingly, backing continued for the role of financial adviser, through the arrangement of a demanding training scheme whereby, at 31-Dec-05, 2,534 managers had been awarded the Certificate of European Financial Adviser (1,956 at the end of 2004). In addition, they have been provided with new tools that incorporate advances in customer profile information, as well as in procedure planning.

Furthermore, the role of the branch has been further reinforced as the basic referent for the different distribution channels, through the opening of 188 new sales outlets, of which 148

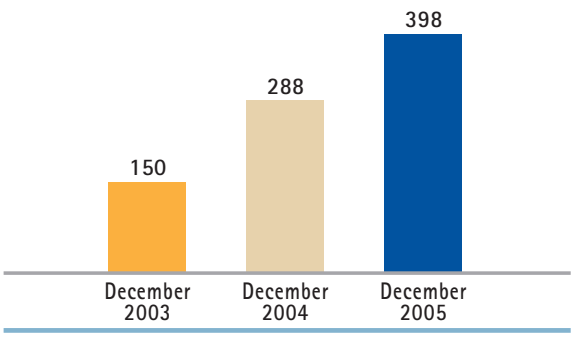
Number of EFPA-certified managers
(Aggregate)



are concentrated in Madrid and along the Mediterranean coastline, the two geographical areas of greatest expansion in Spain. This, together with the reorganisation programme – with 31 new incorporations during the year – means that at 31-Dec-05 commercial banking had a network of 3,337 branches, of which 398, including the most important ones, have structures adapted to the new business model (288 in 2004).

Alternative channels also continued to develop strongly during the year. Thus, the Prescription unit, with 395 specialist managers, increased sales in the consumer, mortgage and small business markets as well as from brokerage through managers, by 22% to €5,494m. Policy in electronic banking focused on encouraging customers to increase their use of internet banking facilities, as well as on the introduction of new mobile phone services, thereby creating a new channel.

Number of SFP branches adapted to the new model



Customer lending in the year grew 18.7%, recording a balance in excess of €76 billion. Mortgage lending increased 22.8%, with a turnover of €24,576m, of which €15,632m corresponded to home-buyers' credit. In addition, the financing of over 48,000 new homes built increased Banca Hipotecaria's loan portfolio by 31.1%. In consumer finance, the arrangement of new transactions in 2005 recorded year-on-year growth of 17.4%, as the result of the systematic launch of pre-approved and customised loans with a credit limit, the *Credicoche* campaign for automobile purchase with a price offer based on loyalty criteria, the financing of the *Quincena del Libretón* (fortnight savings campaign) amounting to €180m, the *Nacimiento* (Birth) and *Superación* (Bettering) corporate responsibility loans, the financing of pension plan contributions and the *Crédito Fácil* (Easy Credit) campaign.

Regarding fund-gathering activities, transactional deposits were boosted by savings campaigns, in which the single offer was replaced by a variety of promotions, with the distribution of a million gifts and the gathering of €2,620m, as well as by the launch of *Cuentas Claras*.

In terms of stable funds, term deposits increased 18.5% (up 31.0% for endowment insurances) as did mutual and pension funds, by 9.2%. The stable product catalogue, structured around *Depósitos Crecientes* (Growing Deposits), *Planes Renta* and the *Carteras Gestionadas* for funds, attracted around €3.8 billion. Furthermore, the capacity for innovation was expressed in the enlargement of this catalogue with deposits and mutual funds that are financially more attractive to customers at any given moment. Thus, total gathering through the new products marketed (*Depósito Doble*, *Depósito Bolsa Creciente 4-4-5*, *Depósito Triple 4%* and the funds *BBVA Ranking Plus*, *BBVA Extra 5 Acciones*, *BBVA 100 Ibex positivo* and *BBVA Garantizado Top Dividendo*) was close to €2 billion. In turn, net subscriptions of individual pension funds contributed almost €700m, and a similar figure was gathered through the arrangement of insurances. The overall

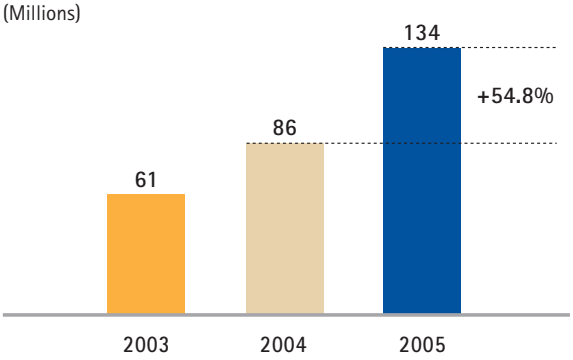
gathering in term deposits in the year amounted to €5,340m, a year-on-year increase of 16.9%.

2005 witnessed the complete overhaul of the life and home insurance catalogue. In the case of the former, this involved replacing the wide range of pre-existing products with a modular approach in which each customer designs their own insurance. In addition, coverage for mortgage and consumer loans was consolidated through more flexible terms.

Special note should be taken of the policies catering for specific customer segments, such as migrant workers, young people, nationals from other European countries, the elderly and groups pertaining to institutions and associations. In the case of migrant workers, a service was launched for rapid cash delivery (in one year almost 200,000 remittances totalling close to €80m were sent) followed by and adapted to their needs, the *Crédito Fácil*, with a €13m-turnover, and the *Cuentas Claras*. Regarding young people, a highlight in 2005 was the launch of a new home-buyer's account and the redesign of the *Blue Jóven* mortgage, which further strengthened the *Blue Jóven* programme as a market referent, with over 785,000 customers. In terms of nationals from other European countries, launch was made of the *Servicios Hipotecarios No Residentes* (Non-Residents Mortgage Services). Finally, mention should be made of the agreements reached with AMPE (50,000 members), the Ministry of Health & Consumer Affairs (110,000 employees) and Mugeju (47,000 associates from the judiciary), for providing their members with services under preferential terms.

As regards payment channels, invoicing in retail outlets rose 12%, thanks to the sale of a greater number of credit cards and the furtherance of their use to make payments. The number of cards in circulation stood at 6.4 million, of which 3.3 were credit cards and, in turn, 1.1 million of these corresponded to the *BBVA Visa Diez* and its new version, the *Tarjeta Diez Fácil*, which had a special bonus programme for encouraging its use in shops. It also included specific scoring for simplifying the issuing process.

***BBVAnet*. Number of transactions**
(Millions)



Regarding alternative channels, it should be noted that in 2005 *BBVAnet* registered a 54.8% jump in the number of transactions made, to nearly €134m, and a special platform was deployed to improve security in the use of these internet services. In mobile phone banking, a further complement to BBVA's multi-channel model, new services now became available such as mobile alerts, whereby information is provided on balances, account movements, cards and share transactions. Finally, there was an increase in the deployment of ATM's, with 261 new units bringing the total to 4,829 at 31-Dec-05, and their functions have been improved and upgraded.

COMMERCIAL FINANCIAL SERVICES

Following its implementation at the end of 2004, this unit closed 2005 with major gains in both volume and earnings, consolidating the new model for servicing small and medium enterprises, professional practices, the self-employed, retailers and farmers.

Significant growth in the assets and liabilities business lines was due to the strengthening of the capacities of origination and distribution; the marketing focus entailed both massive distribution of standard products and segment-oriented campaigns targeting specific professional groups. As an example of massive distribution, mention should be made of the CAP Farming Subsidies 2005 (cereals and olive-growing), which brought direct deposits to €255m, a year-on-year increase of 13%.

Furthermore, the implementation of Commercial Financial Services led to the transformation of the networks, involving such measures as the application of commercial productivity assessment methods, new criteria for the allocation of customer portfolios, the development of specific management tools or the creation of a network made up of over 200 managers dedicated to greater efficiency in the attraction of customers. In addition, campaigns were undertaken to explore new channels that provide an alternative to the branch network. All in all, 146,000 new customers were welcomed in 2005, thereby reinforcing BBVA's leadership, with a market share of 35.3% and of 15.1% as the leading provider of financial services to SMEs, as revealed in the latest report published by FRS.

At year-end 2005, Commercial Financial Services had, on the one hand, a network of 213 SME branches, with around 1,000 managers, and on the other, 1,724 branches in commercial banking, with almost 3,000 specialists in dealings with retailers, the self-employed and the farming community. In addition, the *BBVAnet* Office internet banking service recorded a 32% growth in the number of transactions.

Lending by this unit increased 22% during the year to more than €44 billion, increasing its weight in Retail Banking overall, with a 35% share of the total. All business lines contributed to this success, with highlights being increases of 14% in leasing, 23% in factoring, 26% in renting and 11% in confirming.

Regarding the ICO 2005 campaign, BBVA once again took pole position by volume of funds distributed, with €844m. In the payment channels business, and regarding their issue, cards with value services were launched targeting road hauliers and professional and business practices that make major use of their cars. Amongst these were the *Tarjeta BBVA Visa Premium* card and *Tarjetas Iberia Empresa* cards which recorded an outstanding increase of 41%. Elsewhere, several campaigns were carried out in the retailers segment in order to increase product cross-selling; the *Multidivisa TPV* (multi-currency SPTs) service was particularly successful as it provided customers with the option to pay in their own currency and it attracted over 5,000 retail outlets. Likewise, there was an increase in the number of value added sales point terminals, such as remote terminals or terminals connected to broad-band telephone lines. All of these pushed the SME banking turnover up by 14%.

Customer funds also recorded gains. Mutual fund assets under management (*BBVA Cash* and BBVA *Corto Plus Empresas*) nearly tripled to €1,292m. These funds are marketed to SMEs to help them optimise working capital. Insurance sales also increased sharply with written premiums rising to €17m. This was helped by the 3x3 campaign, targeting new customers (the offer of three products for a three-year term at 3.3% interest plus a 0.9% fee, and insurance linked), which led to the arrangement of 23,500 transactions, a 50% increase on the same campaign in 2004.

Lastly, in a move to develop new lines of revenue, the unit significantly increased distribution of cash management products through its two networks. This consolidated recurrent earnings from trading income that more than doubled the figures for 2004.

SPECIAL FINANCIAL SERVICES

The main business lines of Special Financial Services are the sales-point financing of cars and equipment, vehicle pool management, equipment renting, consumer finance, management of payment channels and e-banking. It pursues its business in Spain, through Finanzia Banco de Crédito, Uno-e, BBVA Autorenting and BBVA Renting, and in Portugal through BBVA Finanziamento. Workforce headcount is 900, the distribution network includes 38 branches (2 located in Portugal) and the customer base numbers 2.6 million.

The unit's loan portfolio grew 23.3% to €3,399m as a result of the increase in turnover, which rose 18% to €3,067m, whereas customer funds came to €1,408m, a

year-on-year increase of 27.1%. The dynamism of all business lines led to 24.5% growth in ordinary revenue and 24.9% in operating profit to €96m. This, together with lower provisioning requirements down 9.2%, following a drop in the NPL ratio to 2.05%, boosted net attributable profit to €50m, 87.2% up on 2004.

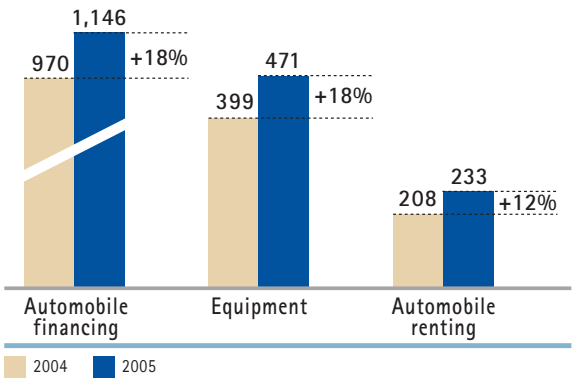
Regarding automobile loans managed by Finanzia, through cooperation agreements with major dealers, manufacturers and importers, turnover increased 17,8% to €1,146m; with loan investment rising 21% and the market share to 5.1% in penetration and 10% in sales financing. In addition, the implementation of Finanzianet on-line transactions helped to improve efficiency.

Turnover for the equipment business (renting and leasing for corporate customers), pursued by Finanzia and BBVA Renting, amounted to €471m, up 18% on 2004, with the stock increasing to €815m (up 18%).

Automobile renting, through Finanzia Autorenting, recorded a turnover of €233m and an investment volume of €437m, with increases of 12% and 23%, respectively, which situated the market share in purchases at 10.3%, 140 basis points more than the prior year (source: AER).

Uno-e, the Group's on-line bank, recorded a €12.6m pre-tax profit in 2005, with net fee income (€13m) being especially significant, leading to an ordinary revenue of €67m.

Finanzia. Turnover by business line
(Million euros)



Customer funds managed or brokered by Uno-e came to €1,408m, a year-on-year increase of 27.1%, following the success of the *Depósito 8* campaign, a new savings product that was launched in the last quarter and tripled term deposits. The increase in funds was also aided by a 46.6% increase in mutual funds, forthcoming from several customised offers and campaigns, the boosting of the funds supermarket both at home and abroad and the customer guidance provided by Uno-e staff. In turn, the entity's loan portfolio rose 34%, to €705m. Regarding the associated banks line, agreements were secured with major customers for the issue of private cards and the financing of consumer products and insurance policies, as well as the *Plan Quieres* by Iberdrola Financial Services.

The year witnessed the repositioning of BBVA Finanziamento's business, which boosted growth in higher-yield areas. Lending amounted to €316m, a year-on-year increase of 13.6%, with a highlight being a 21.3% rise in automobile loans, which at 31-Dec-05 accounted for 78% of the overall lending volume. Aggregate turnover amounted to €182m and the market share in new cars to 5.4%, 140 basis points up on 2004.

ASSET MANAGEMENT AND PRIVATE BANKING

This unit is responsible for the design and management of products to be distributed through the area's different networks, as well as for the direct management of the highest segment of private customers through the network of 43 Banca Personal branches and the five centres pertaining to BBVA Patrimonios. Its workforce numbers 687 people.

By year-end, the volume of funds managed by this unit (ie, assets in mutual and pension funds plus funds administered by the private banking units) came to €73,058m. This was 12.3% higher than the prior year. The 9.2% increase in net fee income was the determining factor behind the 12.2% rise in operating profit. Net attributable profit rose 6.1% over 2004 to €118m.

Total funds under BBVA management in mutual funds in Spain increased to €44,507m, after net gathering of €1,960m during the year. This means that BBVA's fund manager (BBVA Gestión) is once again the system's largest recipient of contributions. This is due, on the one hand, to a favourable customer response to the new products made available (27 new funds in 2005, 22 of which are guaranteed and 10 are equity) and, on the other, to the success of *Carteras Gestionadas*. This is a product with a high level of guidance as it considers such variables as customer profile, amount and investment timeframe. Since its launch in March, it has attracted 24,171 customers with total assets of €1,379m. Furthermore, assets in real estate funds surged 60.5% to €1,833m in the year. The total assets of mutual funds managed by BBVA now come to €46,340m, an increase of 9.8%.

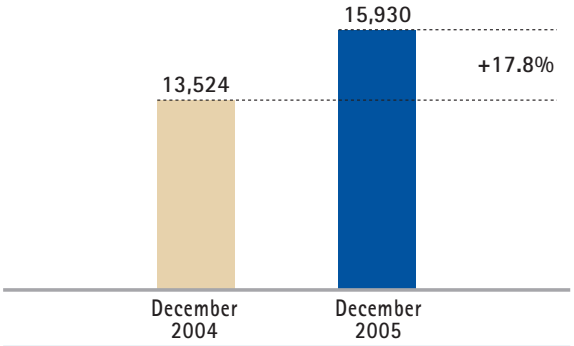
The pension business in Spain, in which BBVA is the clear leader with an 18.9% share, lifted assets to 11.8% year-on-year to €15,091m. Of this amount, €8,395m corresponded to private plans. They increased by 14.7% on continuing popularity, for the second year running, of *Planes Protección*. Group and other pension plans accounted for €6,696m (up 8.3%), with BBVA retaining its leadership with a 22.7% market share.

BBVA also continued to be ranked as the best management company by *S&P/Expansión*. Specifically, awards were made in 2005 in the category of euro fixed-income to *BBVA Plan Renta Fija*, as the best five-year pension plan, and to *BBVA Duración*, as the best mutual fund, also for five years.

In the Spanish private banking business, BBVA managed total assets of €15,930m, 17.8% up on year-end 2004, through general and personalised guidance and the offer of value creation provided by the BBVA Patrimonios and Banca Personal units.

Of the sum total of assets, €9,276m (up 26%) were managed by BBVA Patrimonios, following agreements reached with the Group's different networks that led to the gathering of €1,019m (€272m from Banca Personal). In terms of products, mention should be made of,

Private banking. Funds under management
(Million euros)



amongst others, the marketing of Altitude Dynamic, a guaranteed capital structure based on hedge funds with two different formats (bond and deposit). In addition, cooperation with the Business Projects unit of the Wholesale and Investment Banking area led to the incorporation of the venture capital firms BBVA Elcano Empresarial I and II, whose purpose is to acquire holdings in unlisted medium-sized companies in Spain and Portugal, with a major potential for future growth and a sound financial structure. The capital allocated amounted to €100m, contributed equally by BBVA and its customers. In addition, and following the excellent reception it received from customers of Real Estate Deal SII, BBVA Patrimonios set up another real estate investment firm, Real Estate Deal II, with a seven-year timeline and exploiting the synergies forthcoming from the real estate investment trust *BBVA Propiedad*.

The Banca Personal unit provides personal advice to 60,000 customers in the upper-middle market segment. It managed €8,818m in assets (up 12% over 31-Dec-04). It handled €6,654m directly, whilst BBVA Patrimonios was responsible for the rest. The value added created by this service was complemented in 2005 by a wide range of funds from the principal international fund managers. In addition, it extended its decentralised portfolio management, furnishing 29 branches with the Marea application, whereby 3,424 portfolios worth €1,437m were managed in Banca Personal and 1,827 portfolios (€213m) in Commercial Banking.

INSURANCE IN EUROPE

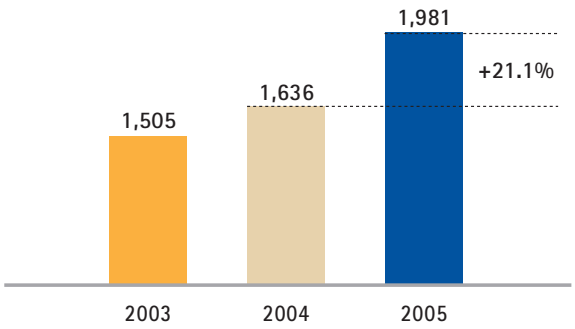
Insurance in Europe consists of various separate insurance companies that provide direct insurance, reinsurance and insurance brokering in Spain and Portugal. They mainly market a wide range of high value added products to different types of customer (private individuals, SMEs, retailers, professional practices and the self-employed) through various area networks. In addition, it also uses external channels for group insurance. In 2005, the unit issued premiums for €1,981m, an increase of 21.1% over the prior year. Its contribution to the area's line item of revenue from insurance activities amounted to €309m, with a year-on-year increase of 20.3%.

BBVA Seguros is an insurance unit that handles life, household, multiple risk and construction policies. Total net premiums issued in 2005 came to €1,823m, a year-on-year increase of 21.2%. This breaks down as follows: a rise of 62.6% in loan repayment protection policies, bringing the total to €228m in premiums; 15.7% in guaranteed income (€846m); 17.4% in household policies (€123m) and 24.6% in group welfare insurance. BBVA Seguros continues to lead in life assurance via the bancassurance sector and, at the year-end, its technical reserves rose 8.4% to €9,742m. Apart from its own policies, the unit brokered premiums of €158m with a year-on-year increase of 19.9%.

In order to fully integrate its branch network, BBVA Seguros introduced its Insurance portal, a tool that improves products and circuits, as well as the response capacity of managers in the commercial network regarding the processes of arrangements, complaints and claims stemming from the marketing of products.

As part of the process of innovation and development in the personalisation of products and services, the catalogue of products was further enlarged during the year, with a highlight being the fourth quarter launch of *Seguros Personales BBVA*, a new range of risk life assurance that replaced a number of older products with a modular approach. Pricing is transparent, and it extends the coverage for survival and, as a novelty, enables customers to tailor policies to fit their particular needs. In addition to life assurance, incapacity or full disability due to accident, they can cover serious illnesses such as cancer or heart attacks. What's more, there is an added option of a 25% no-claims bonus.

Insurance in Europe. Total premiums
(Million euros)



BBVA PORTUGAL

This unit has a network of 104 branches and a workforce of 746 employees. It completed the 2003-2005 master plan with significant growth in volume and profit. It made inroads in the market share in priority areas, such as the real estate sector, SMEs and mutual funds.

Customer loans at the end of the year stood at €3,695m, recording an increase of 17.3%. The launch of the *Hipoteca Fácil* mortgage and the business of financing real estate developments meant that mortgage lending was the most dynamic sector, with a 40.2% increase. This led to a 22 basis point increase in market share in the private customer segment and a 104 basis point increase in developer finance, where BBVA obtained a quota for financed housing over paid-off housing of 3.34% through the arrangement of transactions amounting to €404m.

Customer funds were up 21.9% to €3,375m. Within these funds, mutual funds , amounting to €699m, rose 32%, with market shares of 34.0% and 9.2% in guaranteed equity funds and in special mutual funds, respectively.

This positive performance reflects the marketing success of such innovative products as the *BBVA Ranking Plus* guaranteed equity fund, *BBVA Extra 5 Acciones*, *BBVA 100 Ibex Positivo*, *Top Dividendo BBVA* and *Gestión Flexible BBVA Todo Terreno*. The funds managed in pension plans amounted to €316m, up 35.8% due to the launch of the *Planes Protección* in the Portuguese market and growing penetration in the segment of corporate pension plans.

Insofar as earnings are concerned, the 27.2% rise in net fee income (with strong performances by mutual and pension funds, insurance, asset and market management) and the control of operating expenses (up 2.3%) boosted operating profit to €25m (up 40,2%). With lower provisioning requirements (the NPL ratio fell to 0.71%), net attributable profit came to €10m, as opposed to €5m in 2004.

Wholesale and Investment Banking

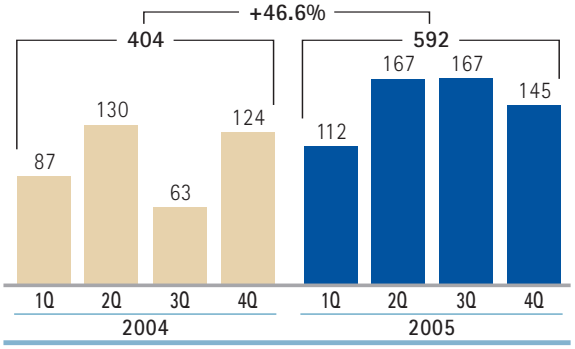
- Wholesale Banking
  - Global Corporate Banking
  - Institutional Banking
- Global Markets and Distribution
- Business and Property Projects
- Global Transactional Services

Wholesale and Investment Banking comprises three units: Global Corporate Banking (both international and domestic), Institutional Banking and Global Markets and Distribution, with its trading floors in Europe and New York, distribution of bonds and equities and custodial services. It also includes the Business and Property Projects unit and Global Transactional Services.

The area aims at offering an overall service to its customers: large companies, public and private sector institutions, finance companies and institutional investors. Wholesale Banking, which encompasses Global Corporate Banking and Institutional Banking, uses a full-relationship business model, whereby each customer is assigned a global accounts executive whose task is to cater for the financial and advisory services needs of the customer worldwide and the specific needs they may have in a certain country or region, with the support of teams of product specialists. Likewise centred on the customer, Global Markets and Distribution uses a franchise business model to obtain a recurring income that lends stability to the income statement and strives to maintain a global view of business.

The application of these principles in recent years has allowed the BBVA Group to reach a sound position in these areas of business and has implied an increase in the generation of earnings. Thus, in 2005, the area's net attributable profit amounted to €592m, 46,6% up on the €404m of 2004. With this significant

Wholesale and Investment Banking
Net attributable profit (Million euros)



INCOME STATEMENT
(Million euros)

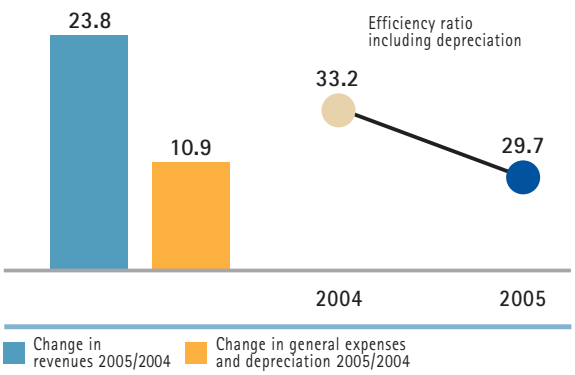
	Wholesale and Investment Banking			Memorandum item:					
				Wholesale Banking			Markets		
	2005	Δ%	2004	2005	Δ%	2004	2005	Δ%	2004
NET INTEREST INCOME	**440**	**4.1**	**423**	**453**	**4.6**	**433**	**(28)**	**n.m.**	**7**
Net income by the equity method	51	(50.9)	104	1	n.m.	(1)	-	-	-
Net fee income	227	19.2	190	184	18.1	156	50	31.0	38
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	**718**	**0.1**	**717**	**638**	**8.4**	**589**	**21**	**(52.0)**	**45**
Net trading income	418	113.0	196	60	92.4	31	375	145.8	152
ORDINARY REVENUES	**1,136**	**24.4**	**914**	**698**	**12.6**	**620**	**396**	**101.1**	**197**
Net revenues from non-financial activities	95	17.4	81	-	-	-	-	-	-
Personnel and general administrative expenses	(360)	11.1	(324)	(184)	8.3	(170)	(147)	13.2	(130)
Depreciation and amortization	(7)	5.4	(7)	(4)	(4.5)	(4)	(2)	(10.1)	(2)
Other operating income and expenses (net)	22	n.m.	(2)	18	n.m.	(2)	-	(76.4)	(1)
OPERATING PROFIT	**886**	**33.9**	**662**	**529**	**19.2**	**444**	**247**	**283.6**	**64**
Impairment losses on financial assets (net)	(115)	(50.8)	(233)	(114)	(46.5)	(214)	-	(99.0)	(18)
• Loan loss provisions	(114)	(50.8)	(233)	(114)	(46.5)	(214)	-	(99.0)	(18)
• Other	-	n.m.	-	-	n.m.	-	-	-	-
Provisions (net)	5	(18.1)	6	2	(63.9)	6	-	n.m.	-
Other income/losses (net)	29	(49.1)	57	2	(81.8)	11	2	n.m.	(3)
• From disposal of equity holdings	16	(60.3)	41	-	n.m.	1	-	-	-
• Other	13	(19.5)	16	2	(78.5)	10	2	n.m.	(3)
PRE-TAX PROFIT	**806**	**63.7**	**493**	**419**	**69.1**	**248**	**248**	**n.m.**	**44**
Corporate income tax	(211)	148.7	(85)	(132)	63.8	(81)	(68)	n.m.	13
NET PROFIT	**596**	**46.0**	**408**	**287**	**71.6**	**167**	**181**	**218.9**	**57**
Minority interests	(4)	(10.1)	(4)	-	(100.0)	-	(3)	46.3	(2)
NET ATTRIBUTABLE PROFIT	**592**	**46.6**	**404**	**287**	**71.6**	**167**	**177**	**226.4**	**54**

RELEVANT BUSINESS INDICATORS
(Million euros and percentages)

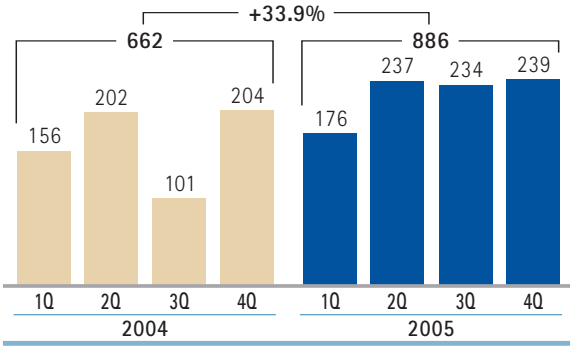
	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04
Loans to customers [1]	46,896	14.0	41,124	45,669	13.8	40,138	1,222	61.9	755
Customer deposits	56,535	15.9	48,773	23,905	14.5	20,881	32,617	16.9	27,890
• Deposits	39,628	13.4	34,951	23,896	14.5	20,878	15,720	11.7	14,072
• Assets sold under repurchase agreement	16,907	22.3	13,822	10	148.7	4	16,897	22.3	13,818
Off-balance-sheet funds	809	7.0	756	684	(6.9)	735	125	n.m.	21
• Mutual funds	806	7.1	753	681	(6.9)	732	125	n.m.	21
• Pension funds	3	(9.3)	3	3	(9.3)	3	-	-	-
Customer portfolios	2,909	(35.7)	4,525	2,909	(35.7)	4,525	-	-	-
Equity	3,555	2.8	3,459	2,500	13.1	2,210	461	(29.7)	656
• Shareholders' funds	2,258	2.8	2,196	1,600	13.1	1,414	292	(29.7)	415
• Other eligible funds	1,296	2.6	1,263	901	13.1	796	169	(29.7)	241
Total assets	166,667	12.6	148,019	57,692	8.5	53,183	119,232	12.6	105,906
ROE (%)	25.9		17.7	19.1		12.5	42.2		11.9
Efficiency ratio (%)	29.2		32.5	26.2		27.3	37.1		65.9
Efficiency incl. depreciation and amortization (%)	29.7		33.2	26.8		28.0	37.5		66.9
NPL ratio (%)	0.18		0.30	0.20		0.32	-		-
Coverage ratio (%)	728.7		480.2	699.8		450.7	-		-

(1) Excluding NPLs.

Wholesale and Investment Banking
Efficiency (Percentage)



Wholesale and Investment Banking
Operating profit (Million euros)



increase in profits, ROE rose to 25.9% (17.7% in 2004).

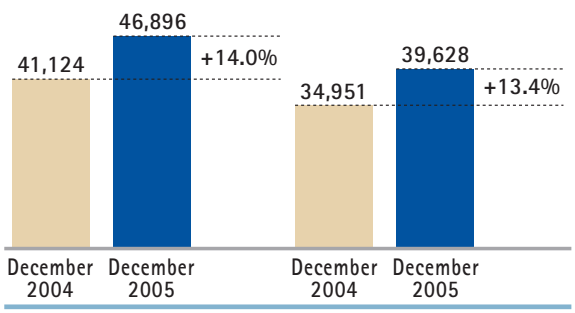
Ordinary revenues, which most closely tracks revenues in wholesale businesses, was €1,136m in 2005, 24.4% up on 2004. Fee income grew 19.2% in both Markets and Wholesale Banking and net trading income totalled €418m, more than doubling 2004 NTI, mainly due to Markets activities. Revenues on non-financial services also performed well, with year-on-year growth of 17.4%. These contributed €95m to the area's results, most of them coming from real-estate transactions.

Operating expenses increased 10.9%. Earnings' growth outstripped costs' sufficiently to improve the cost-income ratio including depreciation by 3.5 points, bringing it down to 29.7% (as against 33.2% in 2004).

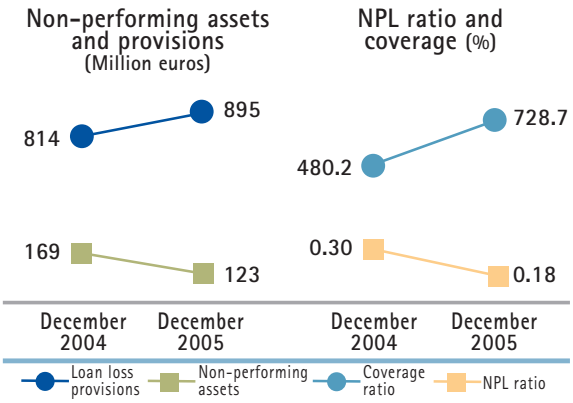
Operating profit rose 33,9% over the year, up to €886m. Moreover, the 50.8% reduction in loan-loss provisions – due to fewer non-performing loans and having reached the upper obligatory limit for generic provisioning – also swelled the area's profit growth. Finally, revenues from portfolio divestments went down significantly. In 2004 these had included the sale of holdings in Grubarges and Vidrala.

Lending to 31-Dec-05 reached €46,896m, with 14.0% year-on-year growth. International corporate banking was especially dynamic. There was a marked improvement in asset quality, as the balance of non-performing loans dropped by 27.6%, bringing the NPL ratio down to 0.18%, compared to the 0.30% at which it stood at year-end 2004. At the same time, the coverage ratio went up to 728.7% from its previous level of 480.2% at 31-Dec-04. Deposits rose to €39,628m, up 13.4% against 2004.

Wholesale and Investment Banking
(Million euros)



Wholesale and Investment Banking



WHOLESALE BANKING

Recurrent business in Wholesale Banking, which comprises the Global Corporate Banking and Institutional Banking units, has shown excellent performance both in volume (with lending up 13.8% and deposits 14.5%) and in earnings. Operating profit was €529m, 19.2% higher than in 2004, with a 1.2 point improvement in its cost-income ratio, which stood at 26.8%. Lower generic provisioning in Global Corporate Banking brought the net attributable profit up to €287m, ie, 71,6% above the previous year.

GLOBAL CORPORATE BANKING

Global Corporate Banking caters for large Spanish and multinational corporations. 2005 saw several changes being made to its organisational structure, all of which were aimed at improving BBVA's capacity to satisfy customer needs with an integral range of products and services which, likewise, cater for the specific characteristics of each local market, with a single interlocution. With this aim in mind, the Corporate Banking Asia unit has been set up, the representation office in Tokyo has been turned into a branch and a representation office has been opened in Shanghai.

Global Corporate Banking is thus present in 15 countries in four continents, in its customer and product units: Global and Investment Banking, catering for the 264 most global customers and grouping together syndicated loans, fixed-income origination, finance project and corporate finance product units; Corporate Banking Iberica, with branches in Madrid, Bilbao, Barcelona, Palma de Mallorca, Lisbon and Porto; Corporate Banking Europe, catering for the European markets from its offices in Milan, Paris, London and Frankfurt; Corporate Banking Asia, with branches in Hong Kong and Tokyo and representation offices in Beijing and Shanghai; and Corporate Banking in the America, which, from its New York branch, manages the wholesale business of the United States and that of Group's banks in Latin America.

According to a study carried out during 2005 by a consulting firm of renowned prestige, BBVA remains market leader among Spanish corporations, serving 96% of the same and being leader (1st or 2nd supplier) of 79% of them. It is important to remember that, according to a similar study drawn up in 2004, in Latin American markets, BBVA likewise confirmed its position as leader, with 75% of large corporations of the markets in which it is present being BBVA customers.

The unit managed lending worth €26,456m, reporting a year-on-year growth of 22.5%, supported in the main by international business, and deposits rose to €12,453m, up 29.0% on year-end 2004 thanks to domestic and international business alike. The increased activity, upholding lending spreads and boosting cross-selling pushed ordinary profit up 16.8% to €505m, while the operating profit reached €382m, up 26.1%. With lower loan-loss provisions (since the upper maximum limits for provisioning had been met) and an improvement in risk quality, the attributable profit was €186 m, as compared to €71m in 2004.

BBVA held onto its position as leader in the number of syndicated loans transactions led in Spain in 2005, according to ranking by Dealogic. During the year, BBVA led syndicated loans transactions for companies like Telefónica, Iberdrola, Endesa, Red Eléctrica de España, Cemex España, Gamesa and ACS. Similarly, it continued to step up its activity in international markets, leading transactions for companies like Carrefour, Arcelor, Telecom Italia, EADS, Vodafone, De Beers, Christian Dior and Scania. In Latin America, BBVA maintained its second position in the syndicated loans ranking (Loan Pricing Corporation) and was involved in the most significant transactions. Of particular note was its participation as mandated lead arranger in the syndicated loans to CFE, Telmex, Pemex, Cemex, Grupo Carso, Cencosud, Molymet, CTC and Votorantim.

In fixed-income origination, the Group's high level of activity meant that it acted as joint book runner in 36 public operations of senior debt, securities and bonds, underwriting a total sum of €11.7 billion. Among the senior debt

issues in which the BBVA acted as joint book runner are BMW, Altadis and Iberdrola. BBVA has likewise co-led operations for the Kingdom of Spain, RTVE, the Government of Navarre, the Government of Catalonia and issues for finance companies like Banca CR Firenze, BEI, Caixa Catalunya, Caja Vital and Caja San Fernando. In securitisations, it took part in two operations for the Caja Rural group and Hipocat 8 as well as in BBVA issues (BBVA Autos 2, BBVA Hipotecario III and Pyme 4). Finally, of particular note are the issues of BBVA mortgage covered bonds, BCL public covered bonds (*cédulas*) and Unión FENOSA preferred shares. As for private placements, €1,755m have been underwritten in 124 operations, issued under the euro note programmes of 32 financial issuers.

In project financing, BBVA was leader in the Spanish market in terms of the number of operations and in volume (Dealogic), leading the most significant financing deals: Perpignan-Figueres railway line, Reganosa (regasification plant), Eufer (renewable energies), PEV-Endesa (wind farms) and ERRM-Iberdrola (wind farms). BBVA also arranged major transactions in the international market, such as the financing of the Chicago Skyway, Generg (the most important deal for the funding of wind farms in Portugal) and, in Latin America, the

Syndicated loans and fixed-income securities. The most significant transactions in 2005

June 2005 Spain EUR 6,000,000,000 Syndicated loan Telefónica Mandated Lead Arranger & Bookrunner	April 2005 Spain EUR 2,000,000,000 Syndicated loan endesa Mandated Lead Arranger & Bookrunner	July 2005 Spain EUR 900,000,000 Syndicated loan RED ELÉCTRICA DE ESPAÑA Mandated Lead Arranger & Bookrunner	July 2005 Spain EUR 2,300,000,000 Syndicated loan CEMEX ESPAÑA Mandated Lead Arranger & Bookrunner	December 2005 Spain EUR 1,200,000,000 Syndicated loan Gamesa Mandated Lead Arranger & Bookrunner
July 2005 Spain EUR 1,500,000,000 Syndicated loan ACS Mandated Lead Arranger & Bookrunner	July 2005 France EUR 1,500,000,000 Syndicated loan Carrefour Mandated Lead Arranger & Bookrunner	February 2005 Luxembourg EUR 3,000,000,000 Syndicated loan arcelor Mandated Lead Arranger & Bookrunner	August 2005 Italy EUR 6,000,000,000 Syndicated loan EUR 3,000,000,000 100% Vote Amendment TELECOM Mandated Lead Arranger & Bookrunner	October 2005 France EUR 500,000,000 Syndicated loan Christian Dior Mandated Lead Arranger & Bookrunner
March 2005 Germany EUR 400,000,000 BMW BMW Finance Joint Bookrunner	November 2005 Spain EUR 500,000,000 Altadis Joint Bookrunner	June/Sept. 2005 Spain EUR 750,000,000 IBERDROLA Joint Bookrunner	January 2005 Spain EUR 6,000,000,000 Kingdom of Spain Joint Bookrunner	April 2005 Spain EUR 1,500,000,000 rtve Joint Bookrunner
April 2005 Spain EUR 500,000,000 LeasePlan Joint Bookrunner	May/June 2005 Spain EUR 2,750,000,000 CAIXA CATALUNYA Hipocat 8 and Senior debt Joint Bookrunner	April/Nov. 2005 Spain EUR 2,078,000,000 Caja Rural Securitisation Joint Bookrunner	2005 Spain EUR 10,750,000,000 BBVA 7 issues (ABS, PYME 4, preferred shares and covered bonds) Joint Bookrunner	March 2005 Spain EUR 1,000,000,000 BCL Banco de Crédito Local Public covered bonds (*cédulas*) Joint Bookrunner

Structured finance and corporate finance. The most significant transactions in 2005

Europe - Transport Deal of the Year

June 2005 Spain-France
EUR 532,000,000
TP Ferro
Perpignan-Figueres Railway
Project finance
Mandated Lead Arranger & Bookrunner

October 2005 Spain
EUR 435,500,000
Regasification plant
Project finance
Mandated Lead Arranger & Bookrunner

January 2005 USA
USD 1,190,000,000
Chicago Skyway
Project finance
Mandated Lead Arranger & Bookrunner

Europe - Renewables Deal of the Year

May 2005 Portugal
EUR 367,000,000
Project finance
Mandated Lead Arranger

Latin America - PPP Deal of the Year

August 2005 Mexico
USD 400,000,000
International Airport of Mexico City
Securitisation
Mandated Lead Arranger

Latin America - Transport Deal of the Year

December 2005 Chile
UF 11,291,552
Camino Internacional R-60 CH
Project finance
Mandated Lead Arranger

July 2005 Spain
EUR 1,200,000,000
Syndicated finance
Mandated Lead Arranger

July 2005 Spain
EUR 318,000,000
Financing of acquisitions
Mandated Lead Arranger

Europe - Water Deal of the Year

June 2005 Spain
EUR 884,506,052
Aigües del Segarra-Garrigues
Assignment of credit rights
Mandated Lead Arranger

May 2005 Brazil
EUR 73,000,000
Financial advisor for the acquisition of 51% of Nossa Caixa Seguros e Previdencia

October 2005 Spain
EUR 252,000,000
Financial advisor to Inversiones Empresariales Tersina and Desarrollo Empresarial Quetro in takeover bid for 100% of

November 2005 Brazil
EUR 21,000,000
Financial advisor for the sale of 81% of Aguas Guariroba (Brazil) to Bertin and Equipav

June 2005 Spain
Financial advisor in the sale of a significant holding to

July 2005 Spain
EUR 307,800,000
Financial advisor and independent expert in INSSEC's takeover bid for 100% of Cie Automotive

November 2005 Spain
Financial advisor to ColonyCapital for the sale of Hotel Montecastillo to Barceló and Grupo Veintidós

securitisation of the airport fee (TUA) of the International Airport of Mexico City and the financing of the Ruta 60 highway in Chile. BBVA ranks first in project finance in Latin America (Dealogic) for the second year running. In other structured finance transactions, BBVA maintained a key role in the Spanish market, leading operations such as syndicated finance for Sogecable, financing the acquisition of Arcelor's assets for Grupo Alfonso Gallardo and financing the construction of the Segarra-Garrigues canal.

The corporate finance team is in charge of global business advisory services and mergers and acquisitions and caters for large and medium-sized enterprises, mutual funds, institutions and privatisation agencies. In 2005, activity was marked by a rallying market in which both the number and volume of the operations rose. BBVA played an outstanding role as financial advisor for the purchase of 51% of Nossa Caixa Seguros and Providencia by Mapfre, and as financial advisor to Inversiones Empresariales Tersina and Desarrollo Empresarial Quetro in their takeover bid for Inmocaral. Likewise significant was the recovery of the merger and acquisitions market in Latin America where BBVA acted as financial advisor in some of the most important operations.

INSTITUTIONAL BANKING

Through its network of 41 branches located in Spain, Portugal and Belgium, Institutional Banking provides service for public and private sector institutions. The Group operates in these markets under the BBVA brand name and through Banco de Crédito Local (BCL), an institution specializing in the long-term financing of regional administrations by fund gathering through the capital markets.

Total lending managed by the unit rose by 3.6% against 31-Dec-04, reaching €19,212m, and deposits rose 2.0% to €11,443m. As far as earnings is concerned, despite high fees for re-

financing booked in 2004, ordinary profit increased 3.0%, driven by more cross-selling of derivatives and other products. Its operating profit reached €147m (+4.2%) and attributable profit, €100m, up 4.5% on 2004.

Highly significant is the increase of flows channelled through on-line banking, which were in excess of €75.3 billion.

In the course of 2005, Institutional Banking won 45 tenders launched by the Spanish State General Administration, among which of particular importance are those called by the Ministries of Education and Science, Economy and Internal Revenue and Housing and Justice for the management of different financial services, as well as the designation of BBVA by AENA (Spanish airports and air traffic authority) as one of their treasurer banks. Similarly, the Ministry of Education and Science renewed its confidence in BBVA through its affiliated company Servitecsa, by awarding it the contract for the official distance learning course in English, "That's English!", which over 600,000 students have already followed.

In 2005, Institutional Banking entered into a new source of funding with the European Investment Bank (EIB) to the value of €200m. The funds are used for financing investment and projects related to energy saving, protection of the environment, infrastructure related to transport, education or health, as well as urban renewal projects promoted by regional public administrations. The habitual collaboration between BBVA and the EIB in recent years was consolidated and strengthened with the signing of this new loan.

Banco de Crédito Local issued several series of senior debt to the value of €1 billion and a third issue of BCL public covered bonds to the value of €1 billion, the only public issue of its kind (fixed-income securities guaranteed by loans and credits granted by the issuer to the public sector) in Spain in the course of 2005.

BCL has holdings in companies like Gobernalia Global Net and Foro Local, S.L., creating a different offer that the bank places at the service of its customers. As part of its policy to broaden its range of products and services for regional administrations, Gobernalia Global Net employs experts in electronic administration projects, on-line rendering of public services, e-administration integral solutions, virtual counters and internet portals. Some of the projects developed by the company are the new portal for the El Prado National Museum, joint digital projects for several associations of municipalities in Huelva and the design of websites for the Majadahonda local government and the University of Navarre university hospital. In addition, Foro Local, S.L. continues to organise training and information activities aimed at promoting the professional development of senior management in the local public sector.

GLOBAL MARKETS AND DISTRIBUTION

This unit encompasses the business of the trading floors located in Europe and New York, the distribution of fixed-income and equity securities and the custody service business.

This unit obtained high earnings in 2005. Ordinary revenues reached €396m, as against €197m in 2004, due to growth in earnings from financial transactions, basically because of the valuation of interest rate and equity positions at market prices. Costs were up by 12.9%, mainly those for personnel, with the result that the operating profit reached €247m (€64m in 2004). Finally, net attributable profit was €177, as against €54m the previous year.

The unit applies a business model which is based on franchise and affords recurrent revenues while shoring up the stability of the income statements. As opposed to the 13% of total income from the trading activity, the franchise business already accounts for 87% of revenues, and most of the same (64% of the unit's revenues) comes from customer business, which went up 40% against 2004.

In the continuous market, BBVA maintained its leadership during 2005 and ranked first with a market share of 8.5% (*Sociedad de Bolsas*) at the end of the year. Against a backdrop of sluggish activity in Spanish primary equity markets, BBVA maintained its leading role in bids made during 2005, being global

Equity securities. The most significant transactions in 2005

November 2005	Spain	June 2005	Spain	November 2005	Holland	September 2005	Mexico	November 2005	Mexico
EUR 173,000,000		EUR 1,000,000,000		EUR 281,000,000		USD 80,000,000		USD 100,000,000	
New equity issue		New equity issue		Flotation		Follow-on		Flotation	
Global Coordinator		Underwriter		Co-lead Manager		Global Coordinator		Global Coordinator	

coordinator for ENCE's capital increase and acting as underwriter for the most important bid of the year, Metrovacesa's capital increase. Moreover, BBVA acted as broker for Sogecable's capital increase. It likewise played an active role in stock exchange proceedings for mergers and acquisitions operations on Spanish listed companies, acting as broker bank in the two most important takeover bids, those of Amadeus and Cortefiel. On the international front, of particular note is BBVA's involvement as underwriter and placer of Endemol's flotation. Except for Brazil, in Latin America, BBVA ranks first in stock issue for the number of offerings and second for the volume placed (if Brazil is included, it ranks fourth place), having taken part in 11 operations, among which of note is its role in Mexico as global coordinator of Industrias CH and the SARE property developer bids and the flotation of Promotora Ambiental (PASA).

In fixed-income securities, BBVA was, in 2005, once again the most active bank of the Spanish association of brokers and securities dealers (*AIAF*), private fixed-income market, after intermediating 21.3% of maturity transactions made during the same year. What's more, BBVA was named one of the most active market makers in public debt by the Public Treasury and the leading company in the treasury bills market (Senaf).

In the foreign exchange market, BBVA was involved in 43% of all the transactions made on the Spanish market, according to information supplied by the Bank of Spain at the end of the third quarter. In the Euro-dollar market, the most liquid as well as being the largest, BBVA's share came to 50%, making the company market leader.

As far as derivatives are concerned, BBVA was elected best bank for advice on risk management and derivative transactions by the specialist journal *Risk España*. This was the first survey to be carried out on the Spanish market and BBVA monopolised the first place in most of the polls on dealers, business people and institutional managers. Furthermore, Altura was declared best derivatives broker of the year in the same journal. Altura specialises in closing and execution services in all options and futures markets and is a direct member of 30 futures markets, which include interest rates, equity securities and raw materials. In addition, BBVA was the most active company in short-term derivatives according to data from the Bank of Spain.

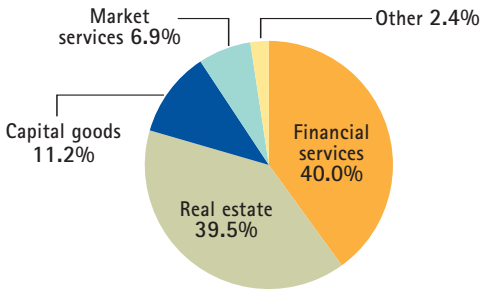
2005 saw intense activity in structured products, in both investment and hedging. Particularly noteworthy is the issue of bonds worth €300m with a novel structure: with protected principal and coupons linked to the European inflation rate, plus additional returns indexed to the performance of dynamic management of a basket of four funds during the operation's 10 years. This is the first such transaction to be arranged by a Spanish bank.

BUSINESS AND PROPERTY PROJECTS

The aim of the Business and Property Projects unit is to create value in the medium and long term by actively managing its portfolio of holdings based on: profitability, rotation, liquidity, risk control and optimisation of the use of economic capital.

This unit manages a portfolio made up of 89 holdings as at 31-Dec-05, highly diversified

Holdings portfolio. Distribution by sectors
(31-12-05)



over different sectors, with a book value of €1,188 m and latent capital gains of €1,027m, €168m more than at year-end 2004. The main associated undertakings are Cementos Lemona, Corporación IBV, Duch, Grupo Anida, Iberia, Técnicas Reunidas and Tubos Reunidos.

The unit obtained an attributable profit of €141m in 2005, €54m less than in 2004 due to lower income from the Business Projects unit, given that no major divestments were made in 2005. The Property Projects unit contributed €74m in the unit's profit, 32.4% more than in 2004. Investments totalling over €100m were made during the year with sales accounting for €200m, in both cases, mainly in the Property Projects unit, whereas, in 2004, sales came to €575m.

Within the process of development of the Strategy plan for Business Projects, the acquisition of 64.5% of Textil Textura, a retail distribution chain operating in the household linen segment, was concluded. Similarly, though the services of Palladium Equity Partners LLC – the largest private equity fund directed at medium sized enterprises in the Hispanic market in the United States, with BBVA as strategic investor – the necessary steps were taken to buy TB Corporation, the parent company of the Taco Bueno chain of restaurants, a fast food chain placed in the premium quality segment offering Mexican food in its 136 outlets in Texas, Oklahoma and Kansas and whose turnover tops US$140m.

In the real estate business, the Anida brand was consolidated through further deployment of the strategy plan, presented in 2004, with four keys to doing business: optimise capital gains, ensure future recurrent profits, anticipate likely changes in the property cycle and growth in Mexico, a market in which there are already four projects under way with an assigned investment of €154m. Anida expects to make an average annual investment of €250m in the next two years, with a ROE of 40%. Its business plan envisages focusing on land development (75%) and housing development (25%), while maintaining a property development portfolio of approximately 2.4 million m². Furthermore, Anida once again met the ISO 9001 quality standards in building in 2005. Anida is likewise pioneer as property developer in Spain in obtaining the ISO 14001 Environmental Management system certificate. It also supports corporate responsibility projects, and assigns 0.70% of its net attributable profit to the same.

GLOBAL TRANSACTIONAL SERVICES

The Global Transactional Services unit supports specialist management of the transactional business for companies and institutions in both the wholesale and other Group areas. It delivers services such as on-line banking, payment intermediation, factoring and confirming and trade finance.

At year-end 2005, 70,047 companies and institutions were using BBVA's on-line banking services in Spain, where the number of active users had risen by 6.7%. These users arranged payments and collections worth €190m, 6.1% more than in 2004.

Worthy of note is the launching in Portugal of *BBVAnet cash* product, which enables companies to manage their collections and payments on-line using a single tool throughout the Iberian peninsula and which has already attracted 1,800 users. Likewise, the BBVA Group has started to market *BBVA Cash* in Latin America, implying that companies in seven of the region's countries (Argentina, Chile, Colombia, Mexico, Peru, Puerto Rico and Venezuela) can operate on-line. The said service already has almost 1,900 users. The

Global Finance journal has acknowledged the BBVA Group's strategy in Latin America by awarding it the prize for the best bank in the region for the on-line management of the collections and payments of companies and institutions in 2005.

In the business of foreign trade, BBVA intermediated a volume of collections and payments amounting to €98,821m in Spain, in 2005, up 7.8% on 2004. According to the latest balance of payments (goods) data published, referring to October 2005, this would imply that BBVA has reached a market share of 18.9%. These transactions generated total revenues in fees and exchange rate differentials of €150m, 13.5% up on the figure for 2004.

Factoring and confirming activities gain ground year after year as one of the most efficient channels for the financing of the working capital of Spanish companies and institutions. BBVA Factoring reported a 15.4% increase in its volume of transfers and holds its position as clear leader of the sector in Spain, with a market share of 33.8%, according to data published by the Spanish Association of Factoring.

As regards operations for the financing of exports of capital goods covered by export credit insurance agencies, BBVA maintained its leading role in the Spanish domestic market and continued to increase its stake in the financing of Italian, Scandinavian and Central European exports. In 2005, with the opening of the Tokyo branch, this activity was extended to include the financing of Japanese exports. The forfaiting business likewise gained a firm foothold in the Spanish market, with a growth of 57.1% with respect to 2004 in the volume of transfers.

BBVA continued to strengthen its presence in the Latin American and Asian markets in the trade finance business, securing the top position in the world for the number of transactions in the course of 2005, for the second year running, and third position in terms of volume, according to the ranking of arrangers (Dealogic league tables). The Group held first position in Latin America for value. As a consequence of the Group's dynamic performance in this business, Trade Finance Magazine and Trade & Forfaiting Review granted BBVA two "World's Best Trade Finance Bank for Latin America" awards.

Significant rankings in 2005

• **No. 1 Syndicated loans**	**Spain** (Dealogic 2005)
• **No. 2 Syndicated loans**	**Latin America** (Loan Pricing Corporation 2005)
• **No. 1 Project finance**	**Spain** (Dealogic 2005)
• **No. 1 Project finance**	**Latin America** (Dealogic 2005)
• **No. 1 Continuous market**	**Spain** (Sociedad de Bolsas 2005)
• **No. 1 *AIAF* (Fixed-Income Market)**	**Spain** (AIAF 2005)
• **Top 6 Public debt market creators**	**Spain** (Ministry of Economy and Internal Revenue – Public Treasury 2005)
• **No. 1 Euro-dollar market**	**Spain** (Bank of Spain)
• **No. 1 Treasury bills held to maturity**	**Spain** (MTS)
• **No. 1 Treasury bills**	**Spain** (SENAF)
• **No. 1 Short-term derivatives**	**Spain** (Bank of Spain)
• **No. 1 Trade finance (No. operations)**	**World-wide** (Dealogic 2005)
• **No. 1 Trade finance (volume)**	**Latin America** (Dealogic 2005)
• **No. 1 Factoring and Confirming**	**Spain** (AEF 2005)

The Americas

- Banks in the Americas
  - Mexico
  - Other countries
    - Argentina
    - Chile
    - Colombia
    - United States
    - Panama
    - Paraguay
    - Peru
    - Uruguay
    - Venezuela
- Pension funds and Insurance
- International Private Banking

The Americas Area encompasses all the activities carried out by the Group's banks, pension managers and insurance companies in North and South America, and also International Private Banking. During the year, the boundaries of the consolidated group were widened, with the incorporation of Hipotecaria Nacional in Mexico, Laredo National Bancshares in Texas and Granahorrar in Colombia.

Including these new institutions, by the close of 2005 the Americas area was handling €174,273m in business (loans plus customer funds), through a network of 3,658 branch offices and 61,604 employees and it maintained its position as the largest financial group – in terms of bank business and pension management – in the combined 13 countries in which it operates. BBVA Bancomer is the largest of the Group's banks in the area and by countries, the greatest concentration of investment is in Mexico. Net attributable profit for 2005 came to €1,820m, 52.3% up on the €1,195m for 2004 (48.7% at constant exchange rate).

Economic conditions in the region were favourable in 2005, with an upturn in all the largest countries in Latin America, reflected in

BBVA'S PRESENCE IN THE AMERICAS
(31-12-05)

	Banks	Pension fund managers	Insurance companies
Argentina	●	●	●
Bolivia		●	
Chile	●	●	●
Colombia	●	●	●
Ecuador		●	
United States	●		
Mexico	●	●	●
Panama	●		
Paraguay	●		
Peru	●	●	
Puerto Rico	●		●
Dominican Republic		●	
Uruguay	●		
Venezuela	●		●

INCOME STATEMENT
(Million euros)

	2005	Δ%	Δ% at constant exchange rate	2004
NET INTEREST INCOME	**3,797**	**32.6**	**29.4**	**2,865**
Net income by the equity method	(1)	n.m.	n.m.	-
Net fee income	2,056	18.5	15.1	1,735
Income from insurance activities	241	40.7	35.0	171
CORE REVENUES	**6,092**	**27.7**	**24.3**	**4,771**
Net trading income	349	40.7	37.9	248
ORDINARY REVENUES	**6,441**	**28.3**	**25.0**	**5,019**
Net revenues from non-financial activities	6	65.2	59.1	4
Personnel and general administrative expenses	(2,767)	24.6	21.4	(2,221)
Depreciation and amortization	(226)	(0.1)	(3.6)	(226)
Other operating income and expenses (net)	(163)	13.3	10.5	(144)
OPERATING PROFIT	**3,291**	**35.4**	**31.9**	**2,431**
Impairment losses on financial assets (net)	(394)	27.2	20.7	(310)
• Loan loss provisions	(359)	15.7	9.8	(310)
• Other	(36)	n.m.	n.m.	-
Provisions (net)	(132)	(29.5)	(30.8)	(187)
Other income/losses (net)	3	69.4	n.m.	2
• From disposal of equity holdings	2	(87.7)	(88.0)	16
• Other	1	n.m.	n.m.	(14)
PRE-TAX PROFIT	**2,768**	**43.0**	**39.9**	**1,936**
Corporate income tax	(725)	36.0	31.8	(534)
NET PROFIT	**2,043**	**45.7**	**43.0**	**1,402**
Minority interests	(223)	7.5	9.1	(208)
NET ATTRIBUTABLE PROFIT	**1,820**	**52.3**	**48.7**	**1,195**

RELEVANT BUSINESS INDICATORS
(Million euros and percentages)

	31-12-05	Δ%	Δ% at constant exchange rate	31-12-04
Loans to customers [1]	41,605	65.5	41.2	25,141
Customer deposits [2]	65,594	35.3	15.8	48,492
• Deposits	58,376	28.8	10.3	45,330
• Assets sold under repurchase agreement	7,218	128.2	93.1	3,163
Off-balance-sheet funds	50,515	39.9	17.1	36,098
• Mutual funds	11,964	43.4	25.5	8,342
• Pension funds	38,551	38.9	14.7	27,756
Customer portfolios	16,559	5.6	(1.8)	15,687
Equity	6,621	20.6	2.4	5,488
• Shareholders' funds	5,954	22.0	2.6	4,882
• Other eligible funds	667	10.0	0.6	606
Total assets [3]	100,501	35.0	19.2	74,443
ROE (%)	33.8			26.1
Efficiency ratio (%)	42.9			44.2
Efficiency incl. depreciation and amortization (%)	46.4			48.7
NPL ratio (%)	2.67			3.44
Coverage ratio (%)	183.8			173.5

(1) Excluding NPLs and Bancomer's old mortgage portfolio.
(2) Excluding deposits and repos issued by Bancomer's Markets unit.
(3) Excluding insurance.

an average growth in GDP of around 4%. This positive economic climate is a result of a check on inflation – down to a record low in some countries – and interest rates similar to 2004, though with some relatively important fluctuations over the year, especially in Mexico.

Unlike previous years, currencies in the Americas gained ground against the euro, with a resulting impact on the consolidated balance sheet. Nonetheless, in most cases variations in average exchange rates were more moderate than in 2004 and as a result, the overall effect on consolidated earnings was not significant.

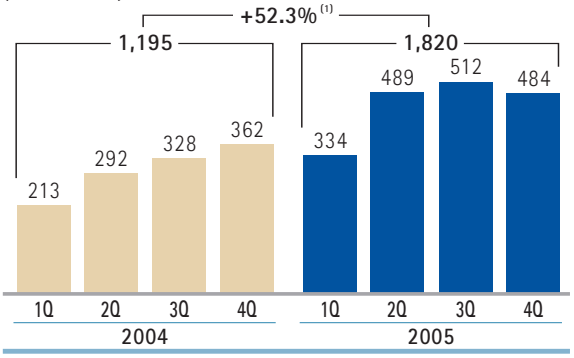
All the BBVA Group's **banks** in the region have seen major growth in business resulting from the favourable macroeconomic context, with a very positive volume effect in most countries. This effect has been most evident in lending, with growth in all lines of business, though particularly those most closely linked to the retail business. Continuing with the work begun in preceding years, the Group introduced new risk management schemes, technological improvements at a regional level and cost monitoring measures.

Complementing the high rate of organic growth in all the Group's institutions, the year saw three exceptional operations which have widened the Group's borders in the region. The first was the incorporation of Hipotecaria Nacional at the beginning of the year, enabling BBVA Bancomer to consolidate its position as the leader of the mortgages market in Mexico. The second institution to join, Laredo National Bancshares (Texas), brought the Group access to a customer segment with great growth potential. Finally, in December the Group bought Granahorrar, which will reinforce BBVA Colombia's position in the country's mortgage segment.

Macroeconomic conditions in the region for **pension funds and insurance** were not as favourable as for banks. A slow-down in job creation combined with strong competition had an adverse impact on development in this area. Against this background, BBVA's pension funds and insurance companies in the Americas have carried out intensive marketing efforts, and have managed to achieve a major increase in the customer funds managed. Improvements in technical support for all companies (started in 2004) continued, and commercial relations between banks and insurance companies continued to develop apace.

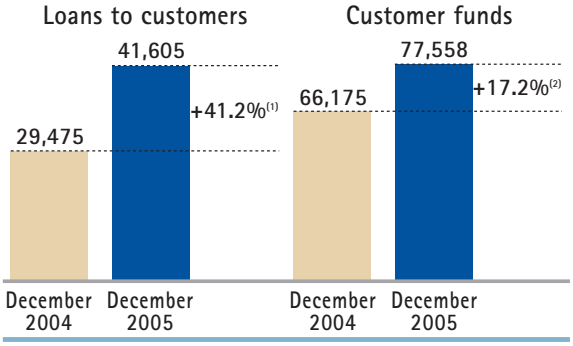
Finally, **International Private Banking** consolidated its business model over the year, concentrating all its activities in its centres in Andorra, Switzerland and Miami. Despite a high level of competition, favourable trends in capital markets and the appreciation of the dollar against the euro helped increase the volume of customer funds managed.

The Americas. Net attributable profit
(Million euros)



(1) At constant exchange rate: +48.7%.

The Americas
(Million euros at constant exchange rate)



(1) At current exchange rate: +65.5%.
(2) At current exchange rate: +36.5%.

In the Americas as a whole, substantial increases in business volume led to a sharp rise in recurrent revenues and profits. Net attributable profit for the year came to €1,820m, an increase of 52.3% on the previous year (48.7% at constant exchange rates) and brought improved profitability, with an ROE of 33.8% in 2005, compared to 26.1% for the previous year.

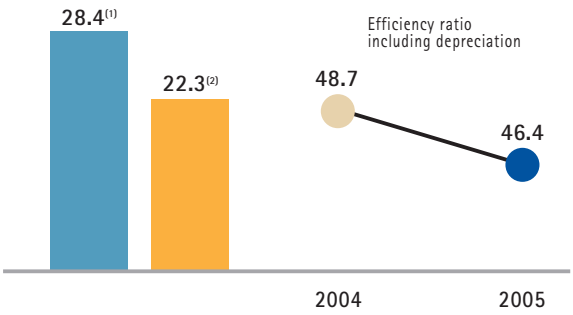
In analysing the area's business and earnings, it is important to take into account the impact of the changing exchange rate: the dollar gained on the euro in 2005, although this had little impact on earnings. The accompanying financial statements show year-on-year changes calculated at constant exchange rates. Unless otherwise stated, the remarks made here refer to these columns, which are considered more relevant when analysing performance.

Net interest income rose 29.4% to €3,797m. Much of this increase was due to greater business volume as a consequence of greater marketing efforts. Lending was up by 41.2% year-on-year (excluding Bancomer's old mortgage portfolio and non-performing assets). On a like-for-like basis (ie, excluding acquisitions), the increase was 19.9%. The largest growth was in retail segments (credit cards, consumer finance and mortgages). Moreover, customer funds (traditional fund gathering, repos placed through the branch network and mutual funds) grew 17.2% (11.5% on a like-for-like basis), particularly those of lower cost (current and savings accounts) and mutual funds.

Net fee income grew 15.1% against 2004 to €2,056m, benefiting from greater activity, including a recovery in mutual and pension funds and favourable trends in revenues from traditional banking services. Marketing activity by the group's insurance companies was reflected in their revenue stream, which rose 35.0% over the year to €241m. Net trading income was up 37.9% over 2004, to €349m on positive market developments during the second half of the year, which helped offset reduced performance at the beginning of 2005. As a result, ordinary revenues came to €6,441m, a year-on-year rise of 25.0%.

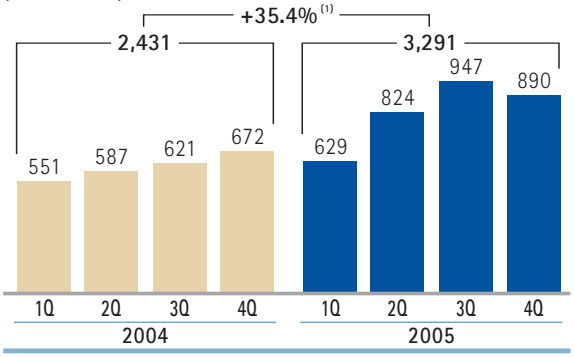
The major marketing effort was also the main cause of the increase in expenses, which rose 19.1% including depreciation (11.1% if the recent acquisitions of Hipotecaria Nacional, Laredo, BBVA Bancomer USA and Granahorrar are excluded). In any event, the increase in expenses was lower than the increase in revenues, meaning that cost/income ratio again improved, to stand at 46.4% (including depreciation). This is 2.3 percentage points better than 2004 (48.7%).

The Americas. Efficiency
(Percentage)



(1) At constant exchange rate: +25.0%.
(2) At constant exchange rate: +19.1%.
Change in revenues 2005/2004
Change in general expenses and depreciation 2005/2004

The Americas. Operating profit
(Million euros)



(1) At constant exchange rate: +31.9%.

INCOME STATEMENT
(Million euros)

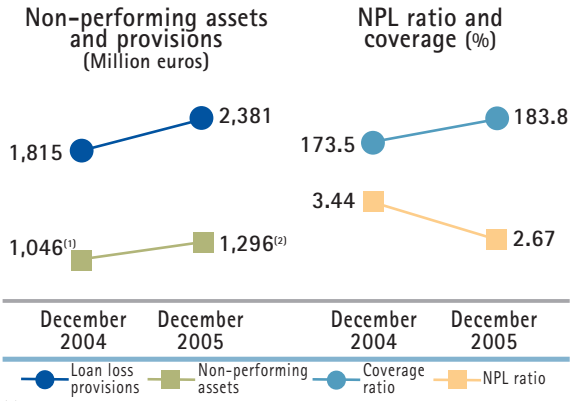
Memorandum item:	Banks in the Americas				Of which: Mexico				Pensions and Insurance			
	2005	Δ%	Δ% (1)	2004	2005	Δ%	Δ% (1)	2004	2005	Δ%	Δ% (1)	2004
NET INTEREST INCOME	**3,726**	**33.2**	**30.0**	**2,797**	**2,463**	**39.7**	**34.9**	**1,763**	**13**	**(29.8)**	**(30.8)**	**19**
Net income by the equity method	-	n.m.	n.m.	-	-	(98.5)	(98.6)	(2)	(1)	(20.8)	(27.8)	(1)
Net fee income	1,447	25.2	21.7	1,156	978	26.1	21.8	775	427	14.0	8.6	374
Income from insurance activities	-	-	-	-	-	-	-	-	269	24.3	20.3	217
CORE REVENUES	**5,173**	**30.9**	**27.5**	**3,953**	**3,441**	**35.6**	**31.0**	**2,537**	**708**	**16.4**	**11.6**	**608**
Net trading income	300	48.0	45.8	203	161	27.4	23.0	127	40	23.7	16.2	33
ORDINARY REVENUES	**5,473**	**31.7**	**28.4**	**4,155**	**3,602**	**35.2**	**30.6**	**2,663**	**749**	**16.8**	**11.9**	**641**
Net revenues from non-financial activities	-	-	-	-	-	-	-	-	12	50.1	47.4	8
Personnel and general administrative expenses	(2,316)	28.5	25.4	(1,802)	(1,349)	27.1	22.8	(1,061)	(358)	14.7	9.8	(312)
Depreciation and amortization	(192)	1.1	(2.7)	(190)	(114)	(3.2)	(6.5)	(118)	(15)	(17.7)	(20.5)	(18)
Other operating income and expenses (net)	(165)	18.9	15.5	(139)	(124)	17.3	13.3	(105)	20	84.7	77.6	11
OPERATING PROFIT	**2,800**	**38.3**	**34.9**	**2,025**	**2,015**	**46.2**	**41.2**	**1,379**	**408**	**23.7**	**18.7**	**329**
Impairment losses on financial assets (net)	(401)	31.0	24.3	(306)	(280)	34.8	30.2	(208)	-	(86.7)	(86.8)	(1)
• Loan loss provisions	(366)	19.5	13.4	(306)	(254)	22.2	18.0	(208)	-	(99.3)	(99.3)	(1)
• Other	(35)	n.m.	n.m.	-	(26)	n.m.	n.m.	-	-	n.m.	n.m.	-
Provisions (net)	(128)	(28.7)	(30.0)	(179)	(48)	(38.5)	(40.6)	(77)	(1)	16.6	6.7	(1)
Other income/losses (net)	-	(95.5)	(95.3)	8	(10)	(51.2)	(52.9)	(20)	5	n.m.	n.m.	(4)
• From disposal of equity holdings	1	(31.8)	(33.4)	1	1	12.5	8.6	1	1	(91.3)	(91.5)	15
• Other	-	n.m.	n.m.	7	(10)	(49.6)	(51.3)	(20)	4	n.m.	n.m.	(19)
PRE-TAX PROFIT	**2,272**	**46.8**	**44.0**	**1,548**	**1,678**	**56.3**	**50.9**	**1,074**	**412**	**27.2**	**22.4**	**324**
Corporate income tax	(619)	38.8	35.0	(446)	(486)	56.2	50.8	(311)	(116)	18.1	13.3	(98)
NET PROFIT	**1,652**	**50.0**	**47.7**	**1,102**	**1,192**	**56.3**	**51.0**	**763**	**295**	**31.2**	**26.4**	**225**
Minority interests	(141)	(2.4)	0.5	(145)	(1)	(96.5)	(96.6)	(32)	(36)	44.2	38.2	(25)
NET ATTRIBUTABLE PROFIT	**1,511**	**57.9**	**54.4**	**957**	**1,191**	**63.1**	**57.5**	**730**	**260**	**29.6**	**24.9**	**201**

RELEVANT BUSINESS INDICATORS
(Million euros and percentages)

	31-12-05	Δ%	Δ% (1)	31-12-04	31-12-05	Δ%	Δ% (1)	31-12-04	31-12-05	Δ%	Δ% (1)	31-12-04
Loans to customers (2)	40,220	69.3	43.2	23,757	20,378	80.5	50.2	11,292	-	-	-	-
Customer deposits (3)	61,993	37.8	16.7	44,979	34,909	26.6	5.4	27,571	-	-	-	-
• Deposits	54,775	31.0	10.9	41,816	28,985	16.5	(3.0)	24,873	-	-	-	-
• Assets sold under repurchase agreement	7,218	128.2	93.1	3,163	5,924	119.6	82.7	2,698	-	-	-	-
Off-balance-sheet funds	9,415	56.3	30.5	6,022	8,115	62.1	34.9	5,005	38,541	38.9	14.7	27,747
• Mutual funds	9,415	56.3	30.5	6,022	8,115	62.1	34.9	5,005	-	-	-	-
• Pension funds	-	-	-	-	-	-	-	-	38,541	38.9	14.7	27,747
Customer portfolios	5,713	(2.7)	(18.8)	5,870	5,713	(1.2)	(17.8)	5,785	-	-	-	-
Equity	5,549	23.4	4.6	4,497	2,873	4.1	(13.4)	2,761	970	15.7	(3.9)	838
• Shareholders' funds	5,127	22.9	3.9	4,172	2,867	4.2	(13.3)	2,752	939	20.4	0.2	780
• Other eligible funds	422	29.6	14.6	326	6	(29.6)	(41.4)	9	31	(46.7)	(57.2)	58
Total assets	93,953	35.8	19.1	69,208	57,418	25.9	4.8	45,595	-	-	-	-
ROE (%)	32.0			25.2	39.4			30.8	32.6			26.1
Efficiency ratio (%)	42.3			43.4	37.4			39.8	47.1			48.1
Efficiency incl. depreciation and amortization (%)	45.8			47.9	40.6			44.3	49.1			50.9
NPL ratio (%)	2.78			3.66	2.34			2.94	-			-
Coverage ratio (%)	182.1			171.1	269.0			267.5	-			-

(1) At constant exchange rate.
(2) Excluding NPLs and Bancomer's old mortgage portfolio.
(3) Excluding deposits and repos issued by Bancomer's Markets unit.

The Americas



(1) €1.237m at constant exchange rate.
(2) €1,179m on a like-for-like basis.

As a result, operating profit rose 31.9% over 2004 to €3,291m. Loan loss provisions saw a moderate increase (9.8%), considerably below the figure for lending, thanks to a progressive improvement in asset quality in the area. On a like-for-like basis and at constant exchange rates non-performing loans fell year-on-year. This, together with the good performance of lending meant that, by year's end, the NPL ratio had dropped 77 basis points to 2.67%, compared to 3.44% on 31-Dec-04. Coverage rose to 183.8% (173.5% at December 2004).

BANKS IN THE AMERICAS

Net attributable profit generated by the Group's banking businesses in the Americas in 2005 came to €1,511m, 54.4% up on 2004. Individual country details are given below.

MEXICO

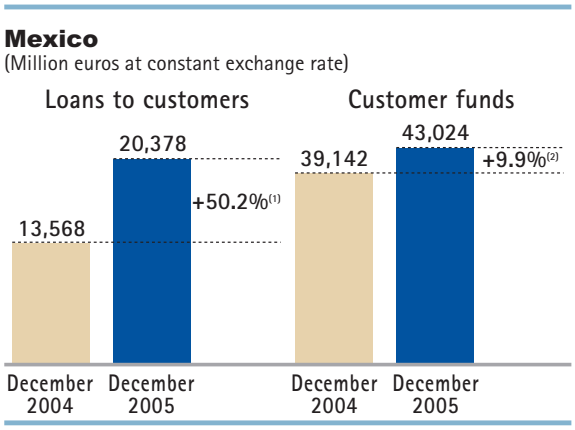
The Mexican economy had a good year, with a growth in GDP of around 3%, backed by favourable trends in domestic demand and moderate price increases. Inflation stood at just over 3%, more or less in line with the Bank of Mexico's long-term goals. There were also positive trends in public finances, thanks to the structural transformations of recent years and high oil prices throughout the year. Interest rates rose steadily to May and then remained stable until August. From September, they fell sharply to finish the year marginally below the initial rate. This volatility of interest rates – particularly long-term rates – had a negative impact on market earnings during the first half of the year. Finally, the Mexican peso remained strong against the dollar throughout 2005, finishing the year at 10.7 pesos to the dollar (compared to 11.2 pesos at the beginning of the year). This strong exchange rate placed certain restrictions on Mexican exports.

For the financial industry, 2005 was a very positive year, with lending finally taking off, favoured by dynamic private consumption and a boost in business investment.

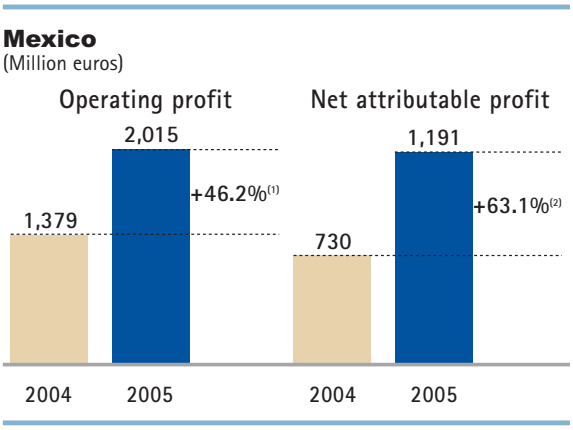
Against this background, BBVA Bancomer's net attributable profit for the year rose 57.5% to €1,191m (up 63.1% in current euros), bringing ROE to 39.4% (30.8% in 2004). These profits included €77m from Hipotecaria Nacional.

These results were mainly due to intensive marketing throughout the year, leading to a sharp increase in customer business, particularly in lending, which rose 50.2% year-on-year to close December at €20,378m (an increase of 21.8% without Hipotecaria Nacional). Business increased in all areas, especially business related to individuals, including consumer finance and credit cards (up 79.1%) and housing loans. The latter increased 61.5% on a like-for-like basis (ie, including Hipotecaria Nacional's portfolio in 2004).

The customer base for credit cards (including those marketed through the bank network and those distributed by Finanzia and its trading partners) rose by 1.5 million to 11.6 million, with the loyalty rate 37% up on the figure for two years before. In addition, through Finanzia, BBVA Bancomer has managed to position itself for the first time as a leader in the automobile financing market, increasing its market share from 7% in early



(1) At current exchange rate: +80.5%.
(2) At current exchange rate: +32.1%.



(1) At constant exchange rate: +41.2%.
(2) At constant exchange rate: +57.5%.

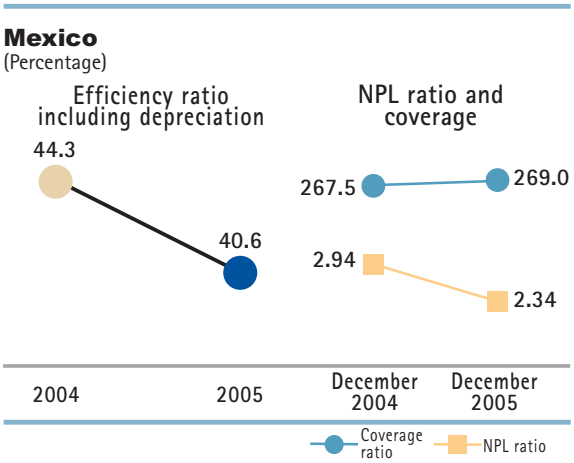
2004 to 30% by the close of 2005. Taking consumer loans and credit cards together, BBVA Bancomer had a market share of 32.9% by the end of the year, a year-on-year rise of 454 basis points. The other driving force behind the growth in the loan portfolio in 2005 was housing loans, where the bank held onto its lead position, with a 31% share of the market. Altogether it granted 48,203 new mortgages in 2005, nearly twice the combined figure for BBVA Bancomer and Hipotecaria Nacional in 2004.

None of this would have been possible without the new marketing and risk management tools introduced during the year, and without major investments in infrastructure (50 new branches and 400 new ATMs opened and 29,000 new point-of-sale terminals incorporated). This has helped improve commercial productivity and raise efficacy (measured as a percentage of responses to individualised offers) from 26% in 2004 to 63% in 2005.

Customer funds (the aggregate of deposits, repos placed through the branch network and mutual funds) increased 9.9% year-on-year to €43,024m at 31-Dec-05. By type, lower-cost funds (ie, current and savings accounts) grew by 15.7%. BBVA Bancomer continues to be the industry leader for savings accounts, with a 51% market share. One and a half million new *Libretón* accounts were opened over the year. The bank's share of current accounts rose to nearly 30% in 2005. It was also a very good year for mutual funds, where total amounts managed rose by 34.9% compared to 31-Dec-04, giving a market share of 20%. In addition, BBVA Bancomer returned to the capitals markets, issuing US$500m in capital notes at a nominal interest rate of 5.4%.

The considerable growth in business volume, combined with good price management led to a significant increase in the more recurrent revenues: net interest income came to €2,463m (up 34.9%) and net fee income rose 21.8% to €978m on a significant rebound in mutual funds, securities and credit cards. Income from traditional banking activities also continued to grow strongly. In addition, net trading income contributed €161m (up 23%).

Increased marketing activity and the addition of Hipotecaria Nacional also contributed to a 19.8% rise in operating expenses (including depreciation). This was well below the increase in ordinary revenue (up 30.6%), meaning a further improvement in the cost/income ratio (including depreciation) from 44.3% in 2004 to 40.6%. Operating profit thus came to €2,015m, a rise of 41.2% on the figure for 2004.



Loan loss provisions rose by 18%, below lending, due to good risk management which was reflected in further improvement in the NPL ratio, to 2.34% (compared to 2.94% a year before), with coverage rising to 269% (267.5% in 2004).

For the fourth year running, BBVA Bancomer took first place in the local market in peso bond issues, with a 21% market share. The bank also played an active role (co-lead manager or lead manager) in 7 out of 10 issues of capital on the Mexican market during the year.

OTHER COUNTRIES

Argentina

In 2005, the Argentinean economy benefited from the government's successful debt swap, with a growth rate of 9%. This brought some pressure on prices, and by year's end inflation stood at 12.3%. The exchange rate remained stable at around 3 pesos to the dollar, benefiting from the return of capital from abroad and a significant trade surplus. Real interest rates remained negative, although nominal rates, driven by Central Bank policy, began to bounce back.

In the financial system, the positive trends in deposits continued. In particular, there was a recovery in private sector deposits (with an increase of over 20%) which had been affected in 2004 by the large volume of fiscal surpluses accumulated in public accounts. The year also saw a consolidation in the reactivation of loans to the private sector, which rose by over 35% following the early signs of recovery of 2004.

BBVA Banco Francés is the third largest bank in the country, the largest of the private banks in terms of deposits and the fourth in total assets. With a business strategy geared towards universal banking and its eye firmly set on the pole position in all segments, it has boosted marketing activity and consolidated its brand image on the market. The result has been an expansion in financial brokerage and an increase in the relative share of the bank's private sector activity as a percentage of its total business.

Benefiting from the favourable economic circumstances, Banco Francés had a net attributable profit for the year of €90m, compared to €15m in 2004. Net interest income performed well, rising to 25.4% as the cost of fund-gathering activities was reined in the face of pressure on interest rates. This improvement was further aided by higher returns on index-linked assets as a result of rising inflation over the year. Lending increased in the private sector, whose share of the overall portfolio rose to 55% by the end of the year (30% in 2004). The large corporation and SME sectors expanded by 61%, boosted by an increase in advances, discounting and foreign trade operations, while in the retail segment, growth was concentrated in personal loans and credit cards.

The bank also made important structural changes, resulting in a better ordered balance sheet and enabling it to comply with the rule on limiting exposure to public risk (National Treasury liabilities) to 40% of total assets. BBVA Banco Francés has taken advantage of good prices to sell off a considerable part of its public sector assets, using the revenue to pay back all the financial assistance received from the Central Bank during the cash crisis.

Customer funds rose to 18.5%, with the share of the private bank market climbing to 10.6%. Key features included high participation in the retail segment and an

increase in the average maturity periods of deposits.

Increased transactional business, including administration of payment channels, insurance, account opening and credit and debit card transactions, has contributed to strong growth in fee income (up 37.5%), and also – with an improved net trading income – a rise in operating profit to €211m, with a year-on-year growth of 58.8%.

Chile

The year was marked by successive increases in interest rates by the Chilean Central Bank (rising 2.25 points to 4.5% by year's end), against a backdrop of strong economic dynamism and a steadying of inflation. Growth in GDP neared 6%, with inflation standing at 3.7%. With lending rising by about 17%, the financial system saw its largest expansion in the last eight years, within a general context of falling spreads and high levels of competition.

Throughout the year, BBVA Chile maintained its strategic approach as a "challenging" bank. With the creation of innovative financial solutions, offering high added value for clients, the setting up of auxiliary distribution channels and the launch of new growth projects, it has managed to expand lending by 19.2%, ahead of the average for the industry, distributed evenly across all areas of business.

In the retail banking area, the year saw the launch of Banco Express BBVA, a new distribution channel targeted at the mass consumer segment through a specialist network of 40 offices. This makes BBVA Chile the only bank in the country to offer segmented attention to customers through two differentiated branch networks – one catering to commercial management and the other for transactions. The bank has also brought out a new credit card, *BBVA Genial*, offering interest rates up to 40% lower than the competition.

SME and Corporate Banking continued to expand, with increases in lending of around 21% in both segments and new growth projects such as factoring, confirming and the provision of transaction services to corporations, optimising existing capacity with the new BBVA Express network.

Banca Patrimonial de Inversiones, launched this year, targets high-income customers, offering value through a differentiated approach based on comprehensive guidance for individual customers, companies and institutions.

The overall result of all these developments was a 4.2% rise in net attributable profit, to €27m, based on good performance of net interest income (up 5.8%) and a 12.9% increase in revenue from fees as well as on lower provisioning.

Colombia

The Colombian economy had a strong year, with GDP rising by around 5%, coupled with a low inflation rate, interest rates at record lows, high levels of disposable cash, upwards trends in markets and a gradual fall in unemployment.

This good performance benefited the financial industry, which saw substantial improvement in the main indicators: lending quality, solvency, more dynamic loan business and growth in earnings. There were a number of concentration operations in the financial system in 2005, including BBVA Colombia's purchase at auction of the Banco Granahorrar for €364m, effective from December 2005, which will allow the Group to position itself strategically in the mortgages segment, where it has already been operating with a wide range of products and services.

BBVA Colombia closed the first year of its *Plan Esmeralda* (Emerald Plan) – a strategy plan for 2005/2006 – with very positive results in terms of business and earnings. Lending rose by 21.8% (not including Granahorrar), to give a market share of 8.1%, distributed evenly across the various types. In the retail banking area, consumer finance (*Creditón*), the *Hipotecario Fácil* (Easy Mortgaging) and credit cards all performed well, while in corporate banking, the commercial portfolio was up 24%. This growth was compatible with a fall in the NPL ratio to below the industry average, thanks to the application of clear and effective acceptance and risk-monitoring policies.

Year-on-year growth in deposits came to 17.7% (not including Granahorrar), thanks to the success of the *El Libretón* campaigns, with a market share of 7.9% at the close of 2005. Including mutual funds, customer funds grew by 23.2%.

An increase in marketing activity, good price management in a panorama of falling rates, the promotion of lines of income such as fees and net trading income and cost monitoring all helped bring an operating profit of €93m (52.8% up on 2004). Combined with lower provisioning requirements thanks to the better lending quality rates and recovery management, the result has been a net attributable profit of €49m, as against €19m for the previous year.

During the year, BBVA Colombia won a number of awards for its performance. These included The Banker magazine's "Best Bank in Colombia" and Global Finance magazine's "Best Internet Bank" and "Best Internet Bank for Corporate and Institutional Customers" awards. At national level the institution was voted the "Best Bank for Loans to SMEs".

United States

This year saw the creation of the BBVA Group's US unit, which includes BBVA Puerto Rico, Laredo National Bancshares, BBVA Bancomer USA (former Valley Bank) and Bancomer Transfer Services (BTS). In 2005, these four institutions had a combined operating profit of €72m and a net attributable profit of €26m.

The economic situation in Puerto Rico has been moderately favourable, although the negative impact of the rise in oil prices and the tax crisis of the commonwealth's government slowed economic recovery during the year. **BBVA Puerto Rico** carried out extensive marketing activity, leading to a 18.5% growth in the loan portfolio and a consequent recovery of its market share. The results of this increased commercial dynamism have been especially evident in the retail business. Business in the automobile unit, for example, was 20% higher than in 2004, while the consumer finance unit experienced a 13.2% increase in the average balance of its portfolio. BBVA Puerto Rico's experience in financing through prescriptors and its market leadership in the automobile sector have aided the launch of Finanzia, which together with BBVA Auto makes up the Consumer Finance unit. In the mortgage business, BBVA Mortgage saw significant advances in its strategy of multi-channel distribution. Four mortgage centres were opened and "mortgage corners" were set up in many of the bank's branches. The result of this strategy was a figure of US$394m in mortgage business over the year, 50% up on 2004. Finally, commercial and building loans increased by nearly 15% over the year. To complete its range of international services, the bank launched its forfaiting product, putting it at the forefront of the industry in this type of service.

As a result of all these developments, the bank generated €22m in net attributable profit, with revenues performing well and a moderate increase in costs. Net interest income came to €143m, a year-on-year increase of 5.4%, despite the negative effects of the rise in interest rates and intense competition. A rise in costs was kept to within 3.3%, despite an increase in business.

Since it joined the BBVA Group in May, **Laredo National Bancshares** has begun to launch new business plans, staff-adjustment processes and an extension of the branch network, to reinforce its presence in border areas between Texas and Mexico where it operates. From May to December LNB contributed €10m in operating profit and generated €4m in net attributable profit.

BBVA Bancomer USA (the former Valley Bank) also underwent a complete transformation, with the incorporation of the money-wiring network and other parabanking services of Bancomer Financial Services in California and the opening of new branches. By year's end, it had a total network of 25 offices. BBVA Bancomer USA targets the first-generation Hispanic market in California, offering a range of products and services tailored to the needs of this segment, without

losing sight of Valley Bank's traditional business in retail banking, SBA (small business administration) and housing development.

For its part, **Bancomer Transfer Services (BTS)**, which provides money transfers from the US to other countries in the Americas, has seen a continued growth in business. Total transactions to Mexico managed by the firm rose to US$6,659m, 6.3% up on 2004, despite strong competitive pressure in the business. Transactions to other Latin American countries rose to US$780m, 166% higher than in 2004.

Panama

For the second year running, the Panamanian economy performed well, with a growth in GDP of around 6%, backed by strong exports and the strength of certain manufacturing industries associated with domestic demand such as construction.

In this context, BBVA Panamá carried out an intensive marketing activity, enabling a continued increase in its market share. By sectors, the retail business was particularly important, with an increase in the average balance of the loan portfolio of 31.8%, although Corporate Banking and SME Banking also had excellent results, with a combined year-on-year increase of 22.2%.

Although interest rates were not especially favourable for the bank during 2005, the increase in business and the more profitable structure of the loan portfolio enabled a 9.9% year-on-year increase in net interest income. In addition, fees rose by 10.1% and expenses by only 2.1%, including depreciation. The net result was an attributable profit of €19m, 6.8% higher than in 2004.

Paraguay

The Paraguayan economy grew by 2.7% in 2005, backed by gains in agriculture. Interest rates remained stable at record lows and despite a rise in inflation to 9.9%, the value of the guarani appreciated over the year.

Throughout 2005, BBVA Paraguay continued to prioritise lending assistance to the primary sector and services in the SMEs and large company segments, though also servicing private individuals, essentially in the VIP segment, to whom it offers a complete range of customised banking services.

Net attributable profit for the year came to €10m, with a year-on-year growth of 21.5%. Lending to customers rose 28.9%, to give the bank a market share of 19.1%, retaining its position as the country's leading investment institution. In terms of deposits, where it has a market share of 15.4%, it stands second place. It also has the best rate in lending quality. As a result, for the third year running the country's Central Bank named BBVA Paraguay the “Best Bank in the Country”.

Peru

The Peruvian economy closed 2005 with a year-on-year growth in GDP of around 6%, backed by exports and strong growth in private investment (up 12%). Nonetheless, there is no evidence of inflationary pressures, with annual inflation standing at just 1.5%.

During the year, BBVA Banco Continental consolidated its position at the head of the country’s banking sector. With strong growth in business, it saw the greatest gain in market share in terms of both lending (up 214 basis points to 22.9%) and deposits (up 166 basis points to 28.1%). The year was also characterised by positive trends in the main management indicators, continuous improvement in lending quality, higher-than-industry-average profitability rates and the best cost/income ratio.

Rises in lending to customers (33.2%) and funds (25%) were reflected in an increase in net interest income of 30.2%. Combined with cost control (costs rose by 6.7% including depreciation and amortization), this gave an increase of 47.8% in operating profit, to €167m. Together with lower loan provisions following improvements in the portfolio, this brought net attributable profit to €47m – more than double the figure for 2004.

As a result, for the third year running, The Banker magazine named BBVA Banco Continental the “Best Bank in Peru”. At

national level it also won the “National Quality Prize 2005”, in the "services companies" category, and the “Gold Category Top Company in Quality Medal”.

Uruguay

Throughout 2005, the Uruguayan economy continued to recover, with GDP growing by nearly 6%. Inflation was kept under control, at around 5%, and the Uruguayan peso gained 8.5% against the dollar as a result of an influx of foreign currencies, in a context of high liquidity and a reduction in country risk. The financial system benefited from a significant increase in business, in deposits and lending alike, although high liquidity rates conditioned the margins of profitability.

Leaving behind the effects of the crisis in the industry in 2002, BBVA Uruguay has begun applying its new strategy plan 2005-2007, which is grounded on extensive marketing in the corporate, SME and personal banking sectors, with a clear view to a de-concentration of business and a growth in recurrent revenues.

This greater commercial dynamism, combined with a strategy of containing the costs of funds gathering, resulted in an increase in net interest income of 5.9%. Together with fees and income from currency exchange transactions, the result was that losses were reduced to €2m.

Venezuela

During the year, the country continued to see the economic growth begun in 2004, benefiting from a fall in inflation (to 14.4%) and high oil prices. This favoured an expansive fiscal policy, driving domestic demand to give a growth rate of 9.4%. Combined with the current exchange rate controls, this has led to an increase in liquidity in the system, which explains the major growth in deposits and lending. Nonetheless, the financial system has been conditioned by changes in bank regulations introduced by the government (compulsory earmarking of a major proportion of lending to finance specific economic sectors, regulation of borrowing and lending interest rates and limits on the charging of certain fees).

In this context, BBVA Banco Provincial worked hard to develop a long-term strategy based on value creation for shareholders, founded on optimisation of net interest income, generation of fees for services and an improvement in efficiency.

In keeping with this strategy, the bank's business centred on improving the range of products and services on offer and optimising service quality. This area includes actions such as promoting payment channels, with the launch of new products such as the MasterCard Black, an improvement in its life assurance policy for VIP customers, incorporation of new cash management options and improvements in internet distribution channels, ATMs and points of sale.

As a result of these marketing efforts, business grew considerably over the year. Funds rose by 40.9% (transactional deposits by 46.6%) and lending rose by 64.1%, offsetting the negative impact of the regulation of interest rates allowing a rise of 2.7% in net interest income. Fees rose by 29% largely because of an increased use of credits cards, encouraged by a larger number of ATMs. Provisioning rose again as a result of increased investment, with excellent lending quality ratings continuing, and the result was a net attributable profit of €55m.

During the year, BBVA Banco Provincial was voted “Best Internet Bank” by Global Finance magazine and “Top High Tech Company in Venezuela 2004-2005” by IT Manager.

PENSION FUNDS AND INSURANCE

The pension fund managers and insurance companies contributed €260m to BBVA America's net attributable profit in 2005. This represented a year-on-year increase of 24.9%. Operating profit came to €408m (up 18.7%).

Pensions

The year saw continued development and introduction of the individual capitalisation and private management pension schemes in Latin America. Generally speaking, the economic environment was good, though a moderate rise in employment variables and strong competition in the business considerably restricted any growth in earnings.

By the end of 2005 the BBVA Group was managing €38,541m in pension funds in America, 14.7% more than a year before. By volume of assets managed the leaders in this area were Provida (Chile) with €19,456m (up 12%) and Bancomer (Mexico) with €8,862m (up 14.6%). Other companies showing major growth were Horizonte Colombia (up 35.1%), Horizonte Perú (up 24.3%) and Consolidar in Argentina (up 21.6%). With an increase of 550,000 subscribers over the year, the total number is now close to 13 million, of whom 4.3 million are in Mexico and 3 million in Chile.

This increase in the business of all companies has helped push fee income up to €422m, a rise of 6.6% on 2004, with particularly strong showings in Argentina, Chile and Colombia. Operating profit stood at €248m (up 18.6%) and net attributable profit came to €145m (up 19.9%). Of the latter amount, €83m were contributed by Afore Bancomer, €31m by Provida, €12m by Horizonte Perú, €9m from Horizonte Colombia and €6m from Consolidar.

Insurance

2005 was an excellent year for the BBVA group's insurance companies in the Americas. The combined figure for premiums written and brokered came to €834m, with a year-on-year increase of 17%, thanks to good performance figures in all lines of business, although bancassurance performed particularly well (up 50% in Mexico, 57% in Venezuela, 28% in Argentina and 27% in Peru), and the life assurance and incapacity insurance also saw major advances. It was a good year too for business linked to the administration of life and disability policies in pensions systems, which rose by 36% in Chile, 25% in Argentina and 16% in Colombia.

Increased business, a decline in claims and a rise in yields helped net attributable profit for the combined companies to grow 31.8% to €115m, including €77m from the Mexican companies.

INTERNATIONAL PRIVATE BANKING

The International Private Banking unit gives advice on investments and manages the assets of high-income international customers. Throughout the year, it completed the process of concentrating its operations in three centres: Andorra, Switzerland and Miami.

Benefiting from a more favourable economic environment, the customer funds managed by the unit rose to €14,921m at 31-Dec-05, a year-on-year increase of 3.4%. This moderate increase in business has brought the unit's core revenues to €217m, up 5.3% on 2004. This growth carries over to the bottom line on the income statement to give an operating profit of €130m (up 3.1%) and net attributable profit of €73m (up 4.8%).

DATA PER COUNTRY (BANKING BUSINESS, PENSIONS AND INSURANCE)

(Million euros)

Country	Operating profit				Net attributable profit			
	2005	Δ%	Δ% at constant exchange rate	2004	2005	Δ%	Δ% at constant exchange rate	2004
Mexico	2,242	41.8	37.0	1,581	1,350	56.7	51.3	862
Argentina	250	53.5	52.3	163	119	233.6	231.1	36
Chile	158	36.8	25.9	115	62	76.4	62.2	35
Colombia	128	69.1	50.1	75	66	133.2	106.9	28
United States [1]	73	(18.8)	(18.8)	90	27	(37.9)	(37.9)	44
Panama	28	3.3	3.4	27	19	6.7	6.8	18
Paraguay	11	(1.0)	2.8	11	10	17.0	21.5	9
Peru	194	45.8	40.9	133	59	83.3	77.1	32
Uruguay	-	n.m.	n.m.	(2)	(2)	(22.4)	(33.7)	(3)
Venezuela	120	(22.4)	(13.3)	155	57	(33.0)	(25.2)	85
Other countries [2]	4	(42.4)	(42.4)	6	4	(70.1)	(70.1)	12
TOTAL	**3,207**	**36.2**	**32.6**	**2,354**	**1,771**	**53.0**	**49.3**	**1,158**

(1) Includes Puerto Rico.
(2) Bolivia, Ecuador and Dominican Republic. In 2004, also includes El Salvador.

MEXICO (BANKING BUSINESS, PENSIONS AND INSURANCE) INCOME STATEMENT

(Million euros)

	2005	Δ%	Δ% at constant exchange rate	2004
NET INTEREST INCOME	**2,467**	**39.7**	**34.9**	**1,766**
Net income by the equity method	-	(98.5)	(98.6)	(2)
Net fee income	1,163	22.6	18.4	949
Income from insurance activities	174	22.4	18.2	142
CORE REVENUES	**3,804**	**33.2**	**28.7**	**2,855**
Net trading income	172	28.8	24.4	133
ORDINARY REVENUES	**3,976**	**33.0**	**28.5**	**2,989**
Net revenues from non-financial activities	3	12.2	8.3	3
Personnel and general administrative expenses	(1,517)	26.7	22.4	(1,197)
Depreciation and amortization	(116)	(2.7)	(6.1)	(119)
Other operating income and expenses (net)	(104)	10.5	6.7	(95)
OPERATING PROFIT	**2,242**	**41.8**	**37.0**	**1,581**
Impairment losses on financial assets (net)	(280)	34.8	30.2	(208)
• Loan loss provisions	(254)	22.2	18.0	(208)
• Other	(26)	n.m.	n.m.	-
Provisions (net)	(48)	(38.5)	(40.6)	(77)
Other income/losses (net)	(10)	(46.7)	(48.5)	(19)
• From disposal of equity holdings	1	12.5	8.6	1
• Other	(11)	(45.2)	(47.0)	(20)
PRE-TAX PROFIT	**1,904**	**49.2**	**44.1**	**1,276**
Corporate income tax	(551)	46.7	41.6	(376)
NET PROFIT	**1,353**	**50.2**	**45.1**	**901**
Minority interests	(3)	(91.2)	(91.5)	(39)
NET ATTRIBUTABLE PROFIT	**1,350**	**56.7**	**51.3**	**862**

Corporate Activities

- ALCO
- Holdings in Industrial and Financial Companies

This area includes the results of the Assets and Liabilities Committee (ALCO), Holdings in Industrial and Financial Companies units. It also includes a number of provisions such as those for early retirements, and others of a corporate nature, and costs of the headquarters units with an entirely corporate function.

Operating losses for 2005 came to €277m, compared to a loss of €85m in 2004. This fall is similar to that seen in net trading income, due largely to the sale of Acerinox the previous year and the higher costs of forex hedging operations on earnings in Latin America in 2005.

Other key developments in the income statement include a positive trend in provisioning (essentially due to the fact that the €193m amortisation of BNL's goodwill took place in 2004); a reduction in transfers to provisions (largely due to the reduced burden of early retirements this year), and a major fall in the net amount of other income/losses, due to the fact that the capital gains of Banco Atlántico and Direct Seguros were entered in 2004. Overall, the area recorded a net loss in 2005 of €219m.

ALCO

The Assets and Liabilities Committee (ALCO) manages the structural positions of interest rate and exchange rate, overall liquidity and the Group's equity. In 2005, the ALCO unit had a net attributable profit of €63m.

Through its exchange-rate exposure management operations, deriving essentially from its franchise in the Americas, BBVA seeks to maintain its reserves and its capital adequacy ratios and give added stability to the income statement, in turn controlling the costs of this risk management. By year's end, BBVA had an overall coverage of BBVA's equity in the Americas of 44%, with perfect hedging levels of 39% in Mexico, 100% in United States, 75% in Chile and 29% in Peru. These hedging levels do not take into account the long dollar positions held locally by some subsidiary banks. Over the year, nearly €700m were transferred to reserves as a result of appreciation in the

INCOME STATEMENT
(Million euros)

	2005	Δ%	2004
NET INTEREST INCOME	**(212)**	**47.8**	**(143)**
Net income by the equity method	71	n.m.	(8)
Net fee income	56	n.m.	11
Income from insurance activities	(63)	68.0	(38)
CORE REVENUES	**(148)**	**(16.7)**	**(178)**
Net trading income	391	(30.1)	560
ORDINARY REVENUES	**243**	**(36.4)**	**382**
Net revenues from non-financial activities	2	(86.5)	15
Personnel and general administrative expenses	(386)	3.3	(374)
Depreciation and amortization	(113)	4.1	(108)
Other operating income and expenses (net)	(23)	n.m.	-
OPERATING PROFIT	**(277)**	**224.7**	**(85)**
Impairment losses on financial assets (net)	129	n.m.	(6)
• Loan loss provisions	136	(19.0)	168
• Other	(7)	(95.8)	(174)
Provisions (net)	(328)	(50.8)	(666)
Other income/losses (net)	24	(91.6)	285
• From disposal of equity holdings	-	n.m.	249
• Other	24	(31.6)	36
PRE-TAX PROFIT	**(452)**	**(4.4)**	**(472)**
Corporate income tax	266	(21.7)	340
NET PROFIT	**(185)**	**40.2**	**(132)**
Minority interests	(33)	n.m.	30
NET ATTRIBUTABLE PROFIT	**(219)**	**113.3**	**(102)**

RELEVANT BUSINESS INDICATORS
(Million euros)

	31-12-05	Δ%	31-12-04
Structural portfolio	31,249	24.7	25,062
Industrial and Financial portfolio	8,811	15.8	7,606
Equity	4,131	19.0	3,470
• Shareholders' funds	2,521	21.4	2,077
• Other eligible funds	1,610	15.6	1,393

base currencies of the Group's subsidiaries, while the financial cost of the capital coverage policy came to €57m net of taxes. In addition, the policy on earnings hedging led to a reduction in net trading income of €70m, net of taxes, offset by higher-than-forecast earnings (in euros) for the Group's units in the Americas.

ALCO also actively manages structural interest-rate exposure, with both hedging derivatives and balance-sheet instruments. As of 31-Dec-05, it held a portfolio of fixed-interest assets worth €31,249m, intended to offset or reduce the negative effect on the Group's net interest income of a fall in interest rates. During the year, this portfolio generated €264m in net interest income and €80m in net trading income. Other ALCO operations brought in €21m over the year.

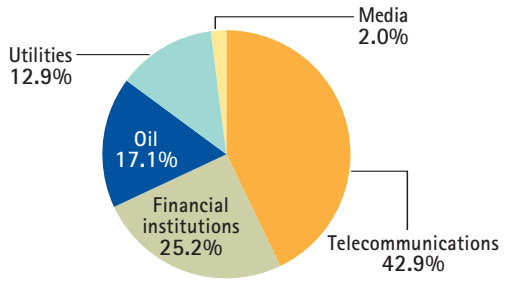
HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

This area covers the Group's holdings in listed industrial companies, essentially Telefónica, Iberdrola and Repsol YPF, as well as its financial holdings, currently limited to Bradesco. These holdings are managed using uniform criteria to maximise value, with very strict principles of return, liquidity, turnover and use of economic capital. All of these holdings are booked as "available for sale". The portfolio also includes holdings in Banca Nazionale del Lavoro, although this is consolidated using the equity method.

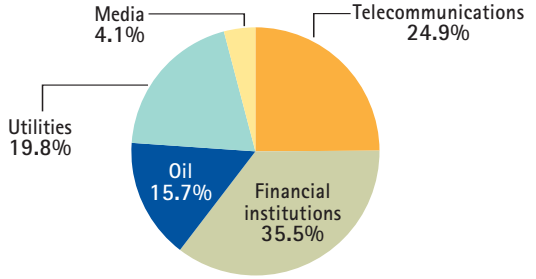
At 31-Dec-05, the portfolio of holdings in associates had a market value (including equity swaps) of €8,811m, with latent capital gains of €3,354m pre-tax.

Over the year, management of the Group's holdings in industrial and financial companies generated €183m in dividends and a net trading income of €298m, up 12.4% and 22.3% respectively on the previous year's figures. Net income by the equity method – which came almost entirely from BNL– was also up. The result was an operating profit of €470m, compared to €328m in 2004. This amount has been transferred almost entirely to net attributable profit, which stood at €433m (€269m in 2004), given that the year saw no significant provisioning (BNL's goodwill was written off in 2004), or capital gains (the holding in Banco Atlántico was sold in 2004).

Holdings in industrial and financial companies. Distribution of market value, by sector (31-12-05)



Holdings in industrial and financial companies. Distribution of latent capital gains, by sector (31-12-05)



OTHER AREAS AND ACTIVITIES

- HUMAN RESOURCES AND SERVICES
- INTELLECTUAL CAPITAL
- SYSTEMS AND OPERATIONS
- INNOVATION AND DEVELOPMENT

HUMAN RESOURCES AND SERVICES

Human Resources

An integrated model. BBVA considers the role of Human Resources to be a key component of its value creation strategy. Accordingly, it has a complete and comprehensive model for human capital management, which has been equipped with a series of tools that are an assurance of excellence in the recruitment, assessment, development and reward of the Group's professionals.

BBVA Human Resources Model

The model's aim is to help realise the Group's vision, "Working towards a better future for people". This means that the HR model is permanently evolving, constantly adapting to the BBVA Group's strategic needs.

A new structure. In order to respond to the challenges posed by globalisation, at the beginning of 2005 the Human Resources area modified its structure to bring it in line with Group strategy. Accordingly, the Group adopted a global approach to human resources with a local focus in each country, leading to closer ties with business units. These, in turn, have been equipped with the necessary tools and processes for ensuring a better and more independent management of their teams.

Furthermore, this reorganisation has removed intermediate structures, thereby creating a more fluent dialogue between HR units in each country and the core Group units, establishing a reference framework for the pursuit of their business that ensures a shared vision in the development of people management policies. The overall outcome has been greater involvement by countries in the drafting of global projects and policies and a better integration of transnational teams, as reflected in the 27 corporate projects headed by HR management in each country that have been implemented throughout 2005.

In order to address the globalisation process more efficiently within the sphere of HR, a corporate platform has been designed for the administration and management of people, which has already been implemented for the workforce in Spain and for the management team throughout the entire BBVA Group. This tool will continue to be deployed throughout 2006 in all the other countries in which the Group is active.

Development as the focal point. The Group's HR management model is competencies-driven and is based on the development of an individual's skills and knowledge, as required for responding to the value creation strategy. At BBVA, professional development is seen as a shared task: HR acts as the driving force and support, team leaders cultivate their collaborators and professionals oversee their own self-development through personal initiative. This role distribution has been reflected in the main achievements of each one of the players in 2005:

1) In cooperation with all Group units, HR has completed the definition of the necessary competencies for an excellent performance in each role. Furthermore, the appraisal system has been fine-tuned, with improved questionnaires and applications, and existing appraisal techniques have been compounded by new ones, such as 90º assessment.
   In addition, the effort BBVA makes in staff training, with an investment in excess of €34m in 2005, testifies to its commitment to development, both as forthcoming from strategic needs (73% of training activity has focused on customer and product-oriented schemes) and regarding the needs identified in Individual Development Plans. In 2005, the e-learning platform called *Conoce* (Get to know) has been globalised, and progress has been made in the knowledge certification

policy involving different external bodies, as this is understood to enhance professional employability and customer confidence. At year-end 2005, 2,894 employees had been awarded certificates: 2,534 in EFPA (European Financial Planning Association), 308 in CFA (Chartered Financial Analysts) and 52 in CIA (Internal Auditors Certificate).

2) Team leaders have had the opportunity to develop management skills. Amongst other activities, a highlight is the work undertaken by the Management School. Thus, the Group's first 300 executives have undergone the Strategic Leadership Programme (*PLE*), which has been developed in cooperation with INSEAD and the Center for Corporate Leadership. Elsewhere, 240 executives have taken part in the five editions of the Corporate Management Programme (*PCD*) and another 580 middle managers have received training in the Management Development Programme (*PDD*), both organised in cooperation with IESE. The interest of these programmes is heightened by the regular presence of the Chairman, the Chief Operating Officer and members of the Steering Committee, who manifest their commitment by attending the various programmes in order to share their vision of the Group's future and strategy with those taking part.

3) Personal initiative on the part of staff also takes centre stage in their development. In 2005, BBVA has provided them with two tools that help to increase their scope for self-improvement. On the one hand, the global application *Apunto* (I note down), designed to help employees consider their potential career roadmap within the Group. This tool enables an applicant to compare their competencies profile with the one required for any other professional role, regardless of the area, with a view to seeking a possible change in duties. For the time being, this tool is available to all Group executives and to all employees in Spain; groups in all the other countries will gradually be incorporated over the coming years. On the other hand, for all those professionals who wish to improve a specific skill, the Group has designed a career development handbook, with a self-access approach. For each one of the skills defined in the Group's competencies dictionary, the handbook contains a questionnaire that helps to assess personal ability in that specific skill, a list of suitable modes of conduct and possible obstacles that hinder development in practical terms, a proposed line of action to be pursued, as well as a comprehensive detail of courses and suggested reading and audiovisual materials for self-improvement.

A person-based cultural context. HR policies are the more visible face of the commitments embraced with employees in the Group's cultural project: *La Experiencia BBVA* (The BBVA Experience).

2005 has been the year of *Pasión por las Personas* (Passion for People); a corporate project that HR has made its own in order to breathe life into the cultural style that BBVA wishes to have associated with its name. This project is based on the so-called *Voz de los empleados* (Employees' voice), which is highlighted in, amongst others, the *Foros BBVA* (BBVA Fora), a setting for dealing with those issues of greatest concern at any given moment. From this standpoint, seven global programmes have been designed, to be applied in all the countries in which the Group operates. They focus their attention on those aspects in which professionals seek improvement. Thus, implementation is being made of Group schemes on communication, development, leadership, recognition, respect for diversity, respect for another person's time and loyalty, together with numerous local initiatives based on these seven premises.

This means that structure, processes, working methods and projects in people management at BBVA are being transformed in order to respond to the Group's growing global needs.

Purchases

The initiatives pursued by the Purchases unit in recent years have been channelled into the standardisation of processes and the introduction of a global methodology for the negotiation and management of procurement in the BBVA Group. Thanks to these initiatives, a sustainable reduction

has been achieved in the cost of procurement, process efficiency and transparency have been improved and the quality and service provided to users have been enhanced.

The total volume of purchases the Group managed in 2005 exceeded €2.6 billion, with 78% corresponding to expenses and the remainder to investments. Amongst those projects the unit has pursued in processing and continuous improvement in 2005, there are the following highlights:

- Implementation in Spain of a pilot experience in e-invoicing of orders processed through the Adquira marketplace, which has led to the completion of the e-procurement cycle: the supplier submits the invoice to BBVA electronically and, once it has been validated, the system automatically records and pays it. This maximises control over the entire process and generates cost-saving through the simplification and automation of hitherto manual processes.
- A project has been initiated that will permit this Group tool to be accessed directly from the different countries in the Americas for the inclusion of purchase requests for Systems and for Premises and Security projects.
- Extended use has been made of on-line negotiation tools in the Americas (RFQs and e-auctions), with the Group taking part in 2,600 negotiation processes involving such tools.
- Finally, overall supervision has been introduced in this area, both in Spain and in the Americas.

Premises and Services

This unit's mission is to contribute value through the integral management of property for the Group's own use and of the general services associated with it, rendering an improvement in service quality compatible with cost optimisation. In 2005, the Premises and Services unit has overseen expenditure amounting to €448m and has authorised investment projects for €512m.

In Spain, special note should be taken of the expansion of Commercial Banking's network, with work completed on nearly 200 branches, the majority of which correspond to the *Madrid* and *Mediterráneo* plans. Implementation has also been made of the personal financial services model in over 100 branches, and refurbishment has begun on the façades of 70 branches. In addition, work has been completed on 50 new *Dinero Express* branches, a network specialising in the migrant worker segment. Regarding landmark buildings, the air conditioning system and electrical installations have been renewed in the Data Processing Centre in Madrid, and a new environmental management system has been introduced for the Castellana, 81 headquarters building in Madrid, with the award of ISO 14001 certification.

A highlight in Mexico has been the opening of 50 new branches, as well as 38 *Revitaliza* plan projects for the refurbishment of the branch infrastructure and the remodelling of the Montes Urales building. Worthy of special mention elsewhere in the Americas is the modernisation of the headquarters in Peru.

INTELLECTUAL CAPITAL

Intangible assets are the key to the competitive success of companies and are a fundamental factor in the creation of value. In this sense, intellectual capital is the differentiating element that enables an organisation to be more creative and innovative, which, in the end, results in an outstanding competitive advantage ensuring development that is sustained and sustainable in time.

The intangible assets making up the BBVA Group's intellectual capital are grouped into three large groups depending on their nature: human capital, referring to the knowledge that the organisation's people and teams have; structural capital, understood as all elements of structural knowledge, that is, information and communication systems, corporate culture, available technology, work processes, management systems, etc.; and, last of all, relational capital, referring to all the relations that the Group maintains with the players in its environment. Within each section, the indices are grouped in relation to the commitments undertaken by the BBVA Group with the main stakeholders with whom it interacts (customers, shareholders, employees, suppliers and society).

HUMAN CAPITAL INDICATORS

EMPLOYEES	2005	2004
Managing diversity as a competitive advantage, ensuring equal opportunities and respect for all individuals		
Employees (No.)	94,681	87,112
• Spain	31,154	31,056
• The Americas	61,604	54,074
• Rest of the world	1,923	1,982
Average age of workforce	38.4	38.1
• Spain	41.9	41.6
• The Americas	36.1	35.9
Men/women ratio (%)	55/45	57/43
• Spain	62/38	63/37
• The Americas	51/49	53/47
University graduates (%)	49	47
• Spain	50	48
• The Americas	49	46
Average number of years service of workforce	13.2	13.3
• Spain	18.5	19.3
• The Americas	9.8	9.7
People who work in a country other than their own (Expatriates) (No.)	227	266
Women in management team (levels 0-3) (%)	4.7	4.1
Women in management team (levels 4-5) (%)	15.8	15.4
Promoting personal and professional development, reconciling the Group's and individuals' interests		
New recruits	3,030	2,502
• Young graduates	2,166	1,906
- Spain	1,150	1,177
- The Americas	1,016	729
• Specialists	864	596
- Spain	247	193
- The Americas	617	403
Number of CVs included in the recruiting process	156,867	73,305
People for whose post a functional profile has been defined (%)	98	97
Managers who have undergone 180º assessment (%)	100	100
Managers who have undergone assessment through assessment centre (%)	55	55
Employees who have carried out self-assessment of their knowledge (%)	77.6	74.1
Investment in training (thousand euros)	34,302	34,315
Hours of training given (thousands)	4,082	3,744
• Spain	1,760	1,639
• The Americas	2,323	2,105
Hours of training per employee	43	43
• Spain	56	53
• The Americas	38	39
Managers trained at the School of Management (cumulative number)	1,720	1,092
Steering Committee members committed to Management School training (%)	100	100
Professionals who have worked as internal monitors in the training of employees (No.)	420	502
Evaluation of employee satisfaction with training (score out of 5)	4.2	4.1
Recognising merit, measured by achievement of results, customer service and overall vision of the Group		
Individuals promoted (% of total headcount)	11.9	12.7
Individuals with variable remuneration (%)	53	53
Variable remuneration out of total remuneration (%)	12	12

STRUCTURAL CAPITAL INDICATORS

EMPLOYEES	2005	2004
Creating a climate of trust based on an open relationship, team support and transparent communications		
Corporate culture fora on *La Experiencia BBVA* (number of sessions)	54	54
Participants in *La Experiencia BBVA* fora (No.)	1,504	878
Internal communication channels in Spain (No. annual communications)	743	571
- Weekly/daily	681	526
- Monthlyl/quarterly	19	19
- Other periodicity	43	26
Satisfaction poll (labour climate; biennial)		
• Spain		2003
- Satisfaction index (%)	61.1	60.4
- Motivation index (%)	70.4	70.7
- Image index (%)	76.2	73.7
- Participation index (%)	47.1	47.5
• BBVA Bancomer (Mexico)		
- Satisfaction index (%)	76.0	74.4
- Motivation index (%)	84.9	84.3
- Image index (%)	86.7	84.6
- Participation index (%)	60.7	73.2
• Rest of Group		
- Satisfaction index (%)	68.6	68.3
- Motivation index (%)	79.2	78.8
- Image index (%)	77.8	78.0
- Participation index (%)	68.9	72.9
Stimulating the generation of ideas and the capacity to implement them		2004
Daily corporate intranet users (No.)	14,400	13,000
Corporate intranet pages viewed daily (thousands)	2,083	2,576
Documents stored on the intranet (thousands)	995	574
People contributing to development and maintenance of intranet content (No.)	264	267
Intranetised processes (cumulative number)	237	175
Intranet projects (No.)	388	264
Efficiency plans implemented (No.)	623	842
Encouraging teamwork within the framework of personal accountability which favours initiative and decision making by individuals		
Meeting rooms equipped with video technology (No.)	251	250
Videoconferences (No.)	929	1,145
Banks and fund managers having implemented internal customer survey (%)	100	100
Virtual work fora in operation (No.)	796	347
Professionals making up the management team (No.)	1,771	1,729

RELATIONAL CAPITAL INDICATORS

CUSTOMERS	2005	2004
Winning the trust of customers through the fulfilment of commitments and ethical and transparent conduct		
Customers (millions)	38	35
Private individual customer satisfaction index (%) (1)	67.9	67.6
Spontaneous awareness index (1st mention, BBVA brand) (%) (1)	12.7	13.8
Providing a proactive and customised service, knowing how to treat each customer in terms of their needs and potential		
Branches (No.)	7,410	6,868
• Spain	3,578	3,385
• The Americas	3,658	3,303
• Rest of the world	174	180
Staff in management and front-office positions (%)	68	67
Countries where the Group operates (No.)	31	32
New channels		
• Calls handled by telebanking (millions)	196	79
• Customers using on-line services (thousands)	4,013	3,449
• ATMs and other self-service devices (No.)	14,509	14,231
Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business		
Public access websites with Group content (No.)	53	43
Network of Group's correspondent banks abroad (No.)	4,189	4,263
SOCIETY		
Encouraging involvement in programmes closely related to social concerns		
BBVA Group foundations (No.)	5	5
Ruta Quetzal participants (cumulative number)	8,700	8,350
Community support: funds allocated by the Group and its foundations (million euros)	46.5	38.3
Socially responsible investment funds (% of the total of investment funds managed)	1.53	1.83
Contributing to the establishment of stable financial systems in all the markets in which the Group operates		
Countries of the Group with Research departments (No.)	10	9
Periodical publications issued by the Group's Research departments (No.)	32	49
Expenditure on publications, sponsorship and collaborations with the Group's Research departments (thousand euros)	963	1,702
Acting in accordance with strict rules of ethical conduct, determining our way of understanding business		
Full audits of branch network for verifying compliance with standards and with money-laundering preventing procedures (No.)	1,937	2,764
SUPPLIERS		
Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects		
Supplier satisfaction index (score out of 5, biennial survey)	-	3.7
SHAREHOLDERS		
Affording in the long-term a profitability rate higher than that of benchmarked competitors		
Shareholders (thousands)	985	1,081
Shares (millions)	3,391	3,391
Providing timely, comprehensive and accurate information		
Channels available to shareholders (No.)	12	12
Periodical publications issued annually for shareholders (No.)	21	21
Number of enquiries attended to by the Shareholders' Office (annual)	11,679	10,737

(1) Source: FRS Inmark, referring to Spain.

SYSTEMS AND OPERATIONS

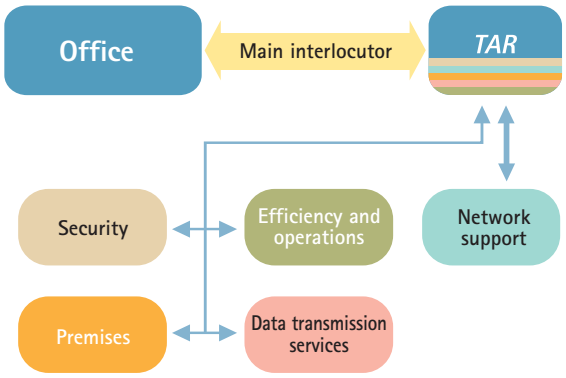
The purpose of the Systems and Operations area is to provide backing for the profitable growth of the Group. It operates in three fields, summarised in its mission:

- To ensure day-to-day operations, efficiently anticipating possible problems and seeking solutions and responding quickly to internal clients.
- To ensure that the services infrastructure (technical, functional and that of processes) is flexible, sturdy and capable of responding to the Group's present and future needs.
- To act as managers of change, contributing to the Group's progress.

These three areas encompass its main achievements and actions during 2005.

New network support model. During the year the new position of Network Support Technician (*TAR*) was created. This person acts as the branch's main interlocutor on operational issues, and provides a more flexible service, in closer coordination with the network. The functions of the post include providing technical support on applications and back-up training for users. *TARs* are responsible for implementing changes and technological modifications, and work with each branch in meeting its targets, as well as addressing issues such as the state of operating quality, the availability of the self-services devices and the quality of attention at bank tills. *TARs* also implement organisational and morphological models and participate actively in identifying areas of improvement within the branch and in issues related to maintenance, safety or equipment. As incident receivers and managers, the *TARs* ensure better knowledge of the general state of the branch and facilitate prioritisation, with backing from other technical areas (Safety, Premises, Efficiency and Operations and Data Transmission Services).

Network support



New products and services. Over the year, Systems and Operations has worked to provide suitable and timely responses to the needs of business units in launching new products and services. Examples of the area's involvement in the growth of the Group's business include the *Cuentas Claras*, *Hipoteca Fácil* (Easy Mortgage), the extension of *BBVAnet cash* to several countries in the Americas, the *Carteras Gestionadas* funds, the new functions of *BBVAnet* and the creation of *Dinero Express*, with all the technological adaptations that each of these required.

Proyecto Prisma. The purpose of *Proyecto Prisma* (Prism Project) is to provide a differentiated transactional offer to companies and institutions. A customer-oriented approach, with tailored solutions, offers a new model for development, based on shared components and macro-processes for all services. In this line, and in the area of the *Proyecto Prisma,* a series of innovative ideas has been established with participation from all supporting business units. These are gradually being implemented in the form of specific trans-national products and services, whose development is accompanied by the necessary technological changes.

Restructuring of Systems and Operations in the Americas. Creation of Demand Management. The activities of recent years and establishment of a regional management level, in both infrastructures (data processing centre in Mexico for the entire Latin American region) and the operating models and their supporting applications, have made it necessary to review the model in the areas of local, regional and corporate management.

Organisational changes have been made affecting the Systems and Operations areas of the

banks and the corporate unit of Systems and Operations in the Americas, and a new Demand Management unit has been created, independent of the production areas, for managing the relationship with the business areas in the different countries and with organisational functions in local and regional areas, and for measuring service levels.

Unified platform for Pension Fund Managers (*AFPs*). This is a regional project, the purpose of which is to develop a platform for all of the Group's pension fund managers in the Americas. It will provide them with a unified system, with a common management model that makes full use of the synergies in the banks' platform, to allow the pension funds to be standardised technologically and operationally, thus improving their efficiency and supporting sustained growth in business. Several phases of the project were implemented in 2005 in Mexico, Chile and Peru.

Development of infrastructure. During 2005, the Group undertook the extension, renovation and new development of key applications for the Group's business, such as a new platform for insurance, loans, telemarketing, self-service devices, risks and cash management. At the same time, the technical infrastructure has been reinforced in Spain and the Americas, with projects for improving host installations, communications structures and operating systems in branch offices. Finally, an important project has begun involving review of the functional architecture and definition of a new Functional Systems Model.

Service continuity. During the year, work continued on deployment of the Business Continuity Master Plan, with the development of new continuity plans intended to: manage possible crises, defining who is responsible for handling them and the execution processes involved; resume activities categorised as critical; and return to normality, indicating which steps need to be taken to resume normal activity.

In Europe, continuity plans have been prepared or updated for the Group's corporate centres, as well as business continuity plans for Retail Banking in Spain and Portugal and activity continuity plans in BBVA Seguros, Finanzia and Global Markets and Distribution.

In the Americas area, the plans have been concluded for Operations and Retail Banking throughout the region. Additionally, in Argentina, Chile, Colombia, Mexico, Peru, Puerto Rico and Venezuela a second phase has begun, running alongside the continuous updating and testing of the plans. Finally, all pension fund managers in the Group have begun to prepare business continuity plans.

Productivity: *Dmas*, a lever for effectiveness. The BBVA Group has proven its capacity for efficiency management, and now has one of the highest efficiency rates of any large bank in the Euro zone. Within this framework, the Productivity unit has extended its goals; rather than being limited to cost management, it now addresses process management (the way in which the value added chain is linked up for each function), offering working methods and tools that will facilitate excellence and encourage a culture of continuous improvement.

A new methodology has been developed to focus analysis, review and improvement of the processes properly whilst helping manage change. This is *Dmas* (Define, Measure, Analyse and Excel). By the close of 2005, 192 BBVA Group staff from nine countries had been *Dmas*-certified.

This makes processes the main target of all actions to improve productivity, with the ultimate aim of consolidating BBVA among internationally recognised companies as a paradigm of quality and productivity.

● INNOVATION AND DEVELOPMENT

The high priority that BBVA accords to innovation serves as the inspiration for the Innovation and Development department's activities. Created in 2004, this department was consolidated throughout 2005 – working in close collaboration with other business areas in the Group.

The Innovation Strategy plan, along with Innovation and Development projects, are channelled through four units: Technological Innovation, Business Innovation, New Business Models and *Dinero Express*.

Technological Innovation

The aim of this unit is to make the most of the opportunities offered by new technologies – not only in the Group's relations with customers, but also as an aid in boosting new business opportunities. To this end, Technological Innovation analyses, validates and applies those technological solutions best suited for achieving BBVA objectives. This is a three-part process, as seen below:

1) Analysing new opportunities through the continuous assessment of technology news in specialised media. All employees have access on the BBVA intranet to daily news bulletins concerning technology, with detailed analyses of such pertinent technologies as digital identity, on-line marketing and P2P networks.
2) Comparing and contrasting solutions and their possible uses in the various business and support areas, followed by their validation through models tailored to business needs.
3) Applying the new technologies chosen and carrying out pilot projects with selected users.

The Fourth Seminar on Technological Innovation was held in Madrid in 2005. A similar seminar was also held for the first time in Mexico. They were attended by the Chairman, the CEO and more than 600 executives from the entire Group. The seminars offered an overview of the latest technological advances related to business.

The Technological Innovation Community, a permanent forum for the analysis of technology applied to the financial industry, looked at issues such as the multi-channel service model, e-commerce, the office of the future and mobile services. 2005 also saw the establishment of a new workgroup system, the full integration of participants from business and support areas, and the incorporation of new Latin American members.

Business Innovation

Business Innovation has the goal of identifying and developing proposals of value in the spheres of banking business, management and corporate culture, in order to strengthen the Group's position while boosting its growth possibilities.

Work in 2005 was focused on three main areas of activity:

1) ***Pasión por las Personas***
   "Passion for People" is a corporate project aimed at increasing the level of customer and employee satisfaction. This project helped to specify the Group's main corporate culture goals, as stated in the phrases "The customer as the core of the business" and "The team as a tool for the generation of value".
   In order to identify the needs and expectations of both groups, personal and group interviews were carried out with over 1,500 customers (private individuals and companies) and close to 3,000 employees. The research was rounded out with visits to more than 80 companies well known for their good practices.
   2005 also saw the start-up of the *Pasión por las Personas* project at 24 business units and 5 support units, along with the design of 303 plans of action with benefits for employees and customers.

2) **Quality and customer service management**
   Corporate Quality coordinates those Group activities related to continual improvement – especially in areas involving external and internal customers. In 2005, these quality plans were fully integrated with the *Pasión por las Personas* project. In many cases, this project served as the starting point for those plans.
   The design for a new corporate-wide customer service model was completed over the course of the year. Said model seeks to standardise the way customers are treated all over the world. Plans are for the model to be simultaneously implemented throughout the Group in 2006.
   At the same time, BBVA entered into a project aimed at developing advanced customer and employee indicators, which will establish links with value management.
   Customer Care Service is responsible for managing complaints in Spain. In the second quarter of 2005, it started up a plan with the goal of exceeding complainer expectations thus taking advantage of the customer complaint as a means of winning over that customer's loyalty.

3) **Innovation models and tools**
On top of developing growth projects, Innovation and Development aims at providing organisational units with the methodologies they need to carry out their own innovation plans.
With this in mind, 2005 saw the design of an innovation model for the BBVA Group, one that brought together a list of capacities that would place each unit in the best possible situation for innovating. The model compares the current level of each unit with its optimum level, thus leading to plans for maximising that innovative potential of each. The model, which was first introduced as a pilot project in Institutional Banking, includes a number of tools for achieving its ends, such as workshops and methodologies for the promotion of creativity and problem solving.

New Business Models

This unit aims at exploring new growth opportunities as a third way towards earnings and the generation of value, one that complements the more traditional (organic and inorganic) paths to growth.

Its activities are organised into three major areas: customer loyalty, winning over new customers, and exploiting emergent assets and technologies. Particularly noteworthy projects in 2005 include two involved in areas of particular interest to the individual customer: vacation trips and housing.

BBVA has begun selling hotel accommodation under exclusive terms to its customers. Through an agreement with the Hotelopia partner-on-line (part of the First Choice Group), BBVA customers can partake of an offer of over 20,000 hotels in more than 500 locations in Europe, North America, Latin America, the Caribbean and Asia.

BBVA has also entered into a new business model in the area of housing, aimed at winning over and retaining new customers. One of the most noteworthy projects was Homes in Spain – whereby second homes in Spain are marketed in Britain. Here the Group takes full advantage of its experience in the real estate sector (Commercial Banking, Mortgage Banking and Anida) as well as Atrea's technological platform. By the end of 2005, the offer included over 9,000 vacation real estate properties, with over 100 associated sales points in the United Kingdom. The project made use of the Group's own channels (remote channels and real estate fairs) as well as others arising from third-party agreements.

The Suite Card has been another way of winning over new customers. This is a co-branded credit card targeted at British Internet users, one that awards points for all purchases, and special points for transactions done in Hotelopia. These points can be redeemed for nights at hotels, through Hotelopia. The card was launched in September of 2005; within 4 months there were over 3,000 requests for the Suite card.

New Business Models has also been active in the development of projects aimed at meeting the needs of small and medium-sized enterprises, as well as those working in new technologies (biometrics, geo-positioning and mobility). Similarly, market trend analyses have been carried out with the participation of the entire organisation, all aimed at discovering new business opportunities and ways of creating value through innovation.

Dinero Express

Dinero Express is the BBVA Group's branch network that specialises in serving the immigrant population. 2005 saw the planned expansion of the network to 40 branches. The Group is expecting to open 60 more in 2006.

Dinero Express offers comprehensive solutions to the financial and non-financial needs of this segment by means of an innovative business transformation aimed at approaching this social group. Employing a distinct business model, distribution concept and exclusive sales-point structure, *Dinero Express* is able to offer the immigrant added value, thanks to its specialised nature, comfort, accessibility, efficiency and ongoing promotions.

In 2005, BBVA managed 355,000 money transfers (including those carried out from the Commercial Bank network). In addition, 755,000 international calls were made from the 40 *Dinero Express* branches, which hosted a monthly traffic figure of 100,000 people.

THE CORPORATE GOVERNANCE SYSTEM

THE CORPORATE GOVERNANCE SYSTEM AT BANCO BILBAO VIZCAYA ARGENTARIA, S. A.

The BBVA board of directors is very conscious of the importance of a good corporate governance system to run the structure and operation of its corporate bodies in the best interests of the company and its shareholders.

Thus, the bank's board of directors is subject to regulations that reflect and develop the principles and elements that have shaped BBVA's system of corporate governance. These comprise standards for the internal regime and operation of the board and its committees, as well as the rights and obligations of directors in pursuit of their duties, which are contained in the directors charter. Shareholders and investors may find these on the company website (www.bbva.com).

The Annual General Meeting has its own set of regulations on issues such as how it operates and what rights shareholders enjoy regarding AGMs. These establish the possibility of exercising or delegating votes over remote communication media.

The board of directors has also approved a report on corporate governance in 2005, according to the guidelines laid down in prevailing disclosure regulations for listed companies. It can be found on the BBVA website.

This site was created as an instrument to facilitate information and communication with shareholders. It provides special direct access to all information considered relevant to BBVA's corporate governance system, laid out in a clear, readable manner.

Independent Directors

One of the characteristic elements of the bank's corporate governance system is to have a significant majority of independent directors on its governing bodies, especially on its board of directors and Executive committee.

Requirements regarding independence are in line with international standards, in particular, with the corporate governance rules established by the New York Stock Exchange (NYSE) and approved by the Securities Exchange Commission (SEC) to define when a director can be considered independent.

Thus, article 1 of the board regulations states that external directors can be deemed independent when:

- They do not hold shares in the company or have not been appointed due to a special relationship to a company shareholder, with more than a 3% stake in the share capital with voting rights, in either case.
- They are not legal entities that hold a directorship or persons appointed to represent them.
- They have not been executive director or member of the senior management in the group or in the auditing company that audits or has audited the group's accounts, within the last three years.
- They do not have a significant relationship with the company, either directly or as partner, shareholder, manager or employee of other persons or entities that in turn have such a relationship with the group, when this could diminish their independence.
- There is no family relationship with any of the above persons, or other circumstances that the board of directors considers could undermine their independence.

Audit and Compliance Committee

Another essential element in the BBVA corporate governance system is the board's Audit committee. This has appropriate powers and means to carry out the tasks delegated to it by the board regarding supervision of financial statements and oversight for the entire BBVA group.

It complies with the Exchange Act requirements regarding its composition and characteristics.

The members of this committee have the skills and expertise required to carry out their job. Their chairman must be suitably qualified in financial management and accounting procedures required by industry regulators.

The committee has other duties as well. It must enforce legal compliance, especially with respect to the group's ethics. Its mission is to ensure that its internal codes of ethics, general conduct and securities market transactions comply with prevailing standards and are suitable to the bank. It shall especially oversee the directors' compliance with corporate governance standards.

Following the general principles of corporate governance, the committee selects the external auditor for the bank and its consolidated group, and is involved in the process of hiring the auditing firm and determining its fees. It is also involved in this process for the group's subsidiaries in Spain and in any other countries where they operate. It must ensure the independence of the external audit.

Executive Chairman

The codes and recommendations on corporate governance posit different governance models. BBVA follows an Executive Chairmanship model. The chairman of the board of directors is thus the bank's Chief Executive Officer (CEO). The board also has an Executive committee with its Chief Operating Officer (COO).

Corporate governance regulations specify that the chairman of the board shall be the chairman of the company, with the attributes established in the bylaws and the board regulations, plus such powers as the board may confer on him/her to steer the company most effectively.

The Executive committee has been delegated all powers of administration, except those that the law or the bylaws declare to be essentially the board's sole responsibility.

The Chief Operating Officer (COO) has been delegated the broadest faculties, with powers of administration and representation of the company inherent to the position. The general managers of each of the company's business areas and support areas report to the COO.

The board regulations set a specific age limit of 65 years for performance of executive-committee duties, a different age limit than for directors who only sit on the board.

Appointment of Directors

The board's Appointments and Remuneration committee is charged with assessing the qualifications of candidates to a bank directorship.

This committee must report to the board of directors on its assessment, focussing on the personal and professional qualities of the candidate and the needs of the company's governing bodies at any time. There are no specific limits preventing people from being appointed to a directorship.

Age limit for Directors

The BBVA's corporate governance system imposes an age limit of 70 years on members of the bank's board.

It stipulates that directors must present their resignation on reaching this age, at the first meeting of the bank's board of directors after the AGM is held in which the current year's accounts are approved.

Performance of Directors

Directors are bound to be loyal, complying with duties imposed by law and by the bylaws and displaying allegiance towards corporate interests, understood as the company's best interests.

They participate in deliberations, discussions and debates on business put to their consideration, and dispose of sufficient information to be able to form criteria regarding the questions that the bank's governing bodies are empowered to deal with. They must receive this information within due time in each case, and may request additional information or further clarification after the board has sat. Directors' participation is encouraged in board meetings and deliberations.

Directors may suggest the board engage experts from outside the bank regarding business submitted to their consideration, whose special complexity or importance they deem to require outside help. They may also suggest they require further training to be able to properly pursue their duties.

In particular, independent directors must meet without the executive directors as often as they see fit, usually before meetings of the bank's governing bodies.

Remuneration of Board Members

BBVA takes special care with this aspect, through its procedures to determine the remuneration of each and every bank director. As established in the board regulations, the yearly amounts paid to each board member as an individual must be published in the annual information given to the company's shareholders.

The board's Appointments and Remuneration committee also plays an essential role in this, since according to the bylaws, its members must determine the scope and amount of the remuneration, rights and economic rewards for executive directors, so these can be included in a written service agreement. Within the framework established under the bylaws, the committee proposes the system of remuneration for the board of directors as a whole, along with its different items, focus and settlement.

The remuneration of executive directors has been contractually established in this way, and the committee has proposed the pay system for the other board members. The board of directors has ratified its proposal, which is based on establishing the pay for non-executive members according to

principles of responsibility, time availability and incompatibilities, as established in the board regulations.

Conflicts of Interest

The rules comprising the BBVA directors' charter detail different situations in which conflicts of interest could arise between the BBVA group and its directors, their family members and organisations with which they are linked. They establish procedures for such cases, in order to avoid conduct contrary to the company's best interests.

These rules serve as guidelines for the directors' conduct, ensuring it reflects stringent ethical codes in keeping with applicable standards and the core values of the BBVA group.

Incompatibilities

Directors are also subject to a strict regime of incompatibilities in sitting on governing bodies of group companies or associated undertakings. Thus, except for executive directors, and where express authorisation has been conferred, board members may not take up directorships in subsidiaries or associated undertakings, when the directorship is linked to the group's shareholding in such company.

After ceasing to be director of the bank, the former director may not provide services to another financial institution in competition with the bank or its subsidiaries for two years, except with express authorisation from the board, which it may refuse to give on grounds of the company's best interests.

Directors' Resignation

Under circumstances specified in the board regulations, board members must place their directorship at the disposal of the board of directors and accept the board's decision on whether or not they are to continue to sit on it. Should the board decide against their continuity, they are obliged to present their formal resignation. Such circumstances would arise in the following cases:

- When they are subject to incompatibility rules or prohibitions established under prevailing regulations, under the bylaws or under the directors' charter.
- When significant changes occur in the professional situation or character by virtue of which they were appointed to the board.
- When they are in serious breach of their obligations as directors.
- When the director, acting as such, has caused severe damage to corporate assets or no longer displays the commercial and professional honour required to hold a directorship in the bank.

Analysis, Quantification and Approval of Risks

The board of directors holds final responsibility for supervising risk management in the group, periodically reviewing and ratifying the strategy behind the bank's risk policy.

In order to do this, the board has delegated approval of the group's risk strategy and policies to the Executive committee and the board's Risks committee, which periodically analyses and monitors risk management within the scope of the bank's governing bodies' powers.

Relations with Shareholders and Markets

The regulations establish that suitable measures must be taken to ensure the company discloses all information that may be relevant for investors, according to the principle of transparency that governs the company's activities on financial markets. This information must be correct and true.

Directors shall try to ensure that all shareholders have access to information that is substantially the same and within the same amount of time.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders has its own specific regulations, governing the way it operates and the rights accorded to shareholders by law and under the company bylaws. Shareholders and investors may find its full text on the company website (www.bbva.com).

The regulations establish that notice of meeting for the AGM shall state the shareholders' right, as of the date of its publication, to immediately obtain at the registered offices, free of charge, any proposed resolutions, reports and other documents required by law and under the bylaws.

Once notice of meeting has been published, documents relating to the AGM shall be placed on the company website, with information on the agenda, the proposals from the board of directors and any relevant information shareholders may need to issue their vote.

It shall also provide necessary details regarding shareholder information services, indicating telephone numbers, e-mail addresses, location and opening hours of offices.

The regulations establish the procedures to be followed in the public call for proxies, in compliance with the law and the company bylaws.

They stipulate that the form of proxy must contain or be attached to the agenda, and include a request for voting instructions so that shareholders may stipulate the general way in which their proxy shall vote should no precise instructions be given.

They also determine how directors should formulate the public call for proxy and the way they should exercise the shareholders' representation and vote, with regulations for cases where conflict of interests could arise.

The regulations also establish the most significant aspects related to the operation of the AGM, voting procedures for motions presented to it, how resolutions are to be adopted and other issues related to running an AGM.

The company's AGMs may be attended by anyone owning the minimum stock established in the bylaws, ie, 500 shares, providing that, five days before the date on which the AGM is to be held, their ownership is recorded on the pertinent registers and they retain at least this same number of shares until the AGM is actually held. Holders of fewer shares may group together until achieving the required number, appointing a representative.

The above notwithstanding, if holders of fewer shares than the bylaws establish for entitlement wish to attend, they may apply for an invitation to the AGM through the shareholders helpdesk, the website or any BBVA branch. It will be facilitated to them where the inevitable space constraints in the facilities where AGMs can be held allow this, given the very high number of shareholders in the company.

In accordance with the bylaws, the regulations state that voting rights on proposals regarding agenda items of any kind of general meeting of shareholders may be delegated or exercised by the shareholder by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed.

Any shareholders entitled to attend may be represented at the AGM by another shareholder, using the form of proxy established by the company for each AGM that will be displayed on the attendance card.

The bank's board of directors, in order to facilitate communication with the company's shareholders regarding the unfolding of the AGMs, operates a permanent helpdesk to deal with shareholders' requests for information, clarification and questions.

THE BOARD OF DIRECTORS

Strictly speaking the Bank's governance structure comprises two governing bodies: the board of directors and the Executive committee.

These are helped by other board committees in carrying out their duties, for example the Audit committee, the Compliance committee and the Appointments and Remuneration committee.

In addition, as a financial institution BBVA must give added weight to the board of directors' final responsibility for periodic review of the bank's risk strategies and policies. The board receives specific support in this task from its Risk committee.

The board comprises the number of directors established in the company's bylaws and in any resolution adopted by the AGM.

Directorships can be executive or non-executive. Executive directors have been conferred general powers to represent the company on a permanent basis, while all other board members shall be considered external.

An institutional director is an external director designated by virtue of her or his relationship with a party that is a significant shareholder of the company. This shall mean a party with direct or indirect control of at least 5% of the share capital or of the voting rights of the bank or, even when less than 5%, one whose shareholding can exert notable influence on the company. To such effects, BBVA does not have institutional directors.

The above criteria –used to determine whether a person is an institutional director– shall also apply in the event of agreements or pacts between shareholders that oblige those concerned, by means of concerted action in the use of voting rights, to adopt a common policy in regard to management of the company or whose goal is to influence it in a relevant manner.

Board members are elected for a five-year term. One fifth of the seats on the board shall be renewed each year and directors may be re-elected indefinitely.

Directors must leave their posts at the age of 70. The chairman of the company shall stand down as chief executive officer on reaching 65 years, continuing as board member.

The bank's chief operating officer and other executive directors must resign from their executive duties at 62 years of age and follow the same rules regarding the timing of their resignations as established above.

On 31 December 2005, the BBVA board comprised 15 members actively pursuing their duties, of whom 3 were executive directors. The table below identifies the members of the board of directors, the date on which they were appointed and the type of directorship they hold, in accordance with the board regulations:

BOARD OF DIRECTORS

FULL NAME	Post on Board of Directors	Type of Directorship	Date of appointment	Date of re-election
González Rodríguez, Francisco	Chairman and CEO	Executive	28.01.2000	26.02.2005
Goirigolzarri Tellaeche, José Ignacio	President and COO	Executive	18.12.2001	01.03.2003
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28.01.2000	10.03.2001
Breeden, Richard C.	Director	Independent	29.10.2002	28.02.2004
Bustamante y de la Mora, Ramón	Director	Independent	28.01.2000	26.02.2005
Fernández Rivero, José Antonio	Director	External	28.02.2004	
Ferrero Jordi, Ignacio	Director	Independent	28.01.2000	26.02.2005
Knörr Borrás, Román	Director	Independent	28.05.2002	01.03.2003
Lacasa Suárez, Ricardo	Director	Independent	28.05.2002	01.03.2003
Loring Martínez de Irujo, Carlos	Director	Independent	28.02.2004	
Maldonado Ramos, José	Board secretary	Executive	28.01.2000	28.02.2004
Medina Fernández, Enrique	Director	Independent	28.01.2000	28.02.2004
Rodríguez Vidarte, Susana	Director	Independent	28.05.2002	01.03.2003
San Martín Espinós, José María	Director	Independent	28.01.2000	10.03.2001
Vilá Boix, Ángel (representative of Telefónica de España, S.A.)	Director	External	17.04.2000	26.02.2005

A brief profile of the current members of the BBVA board of directors is given below:

FRANCISCO GONZÁLEZ RODRÍGUEZ
Chairman and CEO

Born in Chantada (Lugo) in 1944
Married
Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

Professional Background:
Francisco González has been chairman and CEO of BBVA since January 2000.
Francisco González is currently a member of the European Financial Services Roundtable (EFR), Director of the Institute for International Finance (IIF), member of the Institut Européen d'Etudes Bancaires (IIEB), member of the International Monetary Fund's Capital Markets Consultative Group, member of the International Monetary Conference and Global Counsellor of The Conference Board, as well as being an active participant at other international fora.
He is also chairman of the Fundación BBVA and governor of the Red Cross, Foundation for Help Against Drug Addiction, Foundation for Terrorism Victims, the Guggenheim Museum in Bilbao, Museo de Bellas Artes in Bilbao, Fundación Príncipe de Asturias, Real Instituto Elcano, Fundación Carolina, ESADE, FEDEA, Fundación de Estudios Financieros, Instituto de Estudios Económicos and Institut Europeu de la Mediterránia.
Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was chairman of Argentaria from 1996 to 1999, when he led the integration, transformation and privatisation of a very diverse group of State-owned banks.
During this period, Francisco González was also director of Endesa, Chairman of Banco Uno-e, Banco Hipotecario de España, Banco Exterior de España, Caja Postal and Banco de Crédito Local.

Before joining Argentaria, Francisco González founded the securities firm, FG Inversiones Bursátiles, which became the first independent firm of brokers in Spain, and was later bought out by Merrill Lynch.
Francisco González is also a registered Spanish Stock Broker (ranking first amongst the candidates examined in 1980) and Trader for the Bolsa de Madrid. He has sat on the Executive committee of the Bolsa de Madrid and the Executive committee of Bancoval.
He began his professional career in 1964 as programmer in an IT company. His ambitions to transform 21st-century banking with the support of new technology dates back to this time.

JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE
President and COO

Born in Bilbao (Vizcaya) in 1954
Married
Doctor in Economics and Business Science from Universidad de Deusto.

Professional Background:
His professional career has always been linked to banking, and more specifically, to BBVA, which he joined in 1978, after having taught Strategic Planning at the Universidad Comercial de Deusto.
Main stages in BBVA:

- Joined the Banco de Bilbao in 1978, assigned to the Strategic Planning Area. Member of BBV Holding (company that led the merger between BB and BV).
- In 1992, was appointed General Manager of the BBV.
- From 1993 to 1998, he directed Retail Banking for the BBV Group. From 1995 he has also directed the BBV-Americas Group, coinciding with the BBV Group's expansion in Latin America.
- In 1994 he became a member of the BBVA Management Committee.
- In 1999, BBV and Argentaria announced their merger. José Ignacio Goirigolzarri was appointed member of the BBVA Management Committee and head of the Latin-American businesses.
- Since 2000 has sat on the BBVA Bancomer Board.
- In April 2001, was appointed General Manager of the BBVA Group, in charge of Retail Banking. His responsibilities covered the following areas: Retail Banking in Spain, Retail Banking in the Americas, Pensions, Private Banking and e-Banking.

He was appointed as BBVA's president and chief operating officer on 18th December 2001.

JUAN CARLOS ÁLVAREZ MEZQUÍRIZ
Director

Born in Crémenes (León) in 1959
Married
Graduated in Economic Science from the Universidad Complutense de Madrid.

Professional Background:
1988 – Joined FISEG, Empresa Financiera de Servicios Generales.
1990 – General Manager of EL ENEBRO, S.A. (Eulen group holding company).
1993 – Chief Financial Officer of EULEN, S.A.
2002 – Managing Director of GRUPO EULEN, S.A.
He was appointed to his BBVA directorship on 28th January 2000.

RICHARD C. BREEDEN
Director

Born in the United States of America in 1949
Married
Lawyer. Studied at Stanford University and Harvard Law School.

Professional Background:
1976-1981; 1985-1988: Lawyer for Cravath, Swaine & Moore, New York, and partner in Baker & Botts, Washington.
1982-1985: Senior Legal Advisor to the Vice-President of the USA and the White House.
1989: Presidential Aide in the White House, USA.
1989-1993: Chairman of the U.S. Securities and Exchange Commission (SEC).
1993-1996: Chairman of Coopers & Lybrand, International Financial Services, LLC.
Since 1996, CEO of Richard C. Breeden & Co., a company specialising in advising companies on business restructuring and strategic consultancy regarding corporate governance, accounts and disclosure requirements. In 2002, the Federal Court of the United States appointed him Corporate Instructor to head the SEC fraud enquiry against WorldCom, Inc. (now known as MCI, Inc.).
Since 1997, has chaired the Audit committee and sat on the Remuneration committee of W.P. Stewart & Co., Ltd. Also chairs the Audit committee for Audio Visual Services Corporation, and is court-appointed member of the MCI, Inc. board of directors and Audit committee.
Was appointed to the BBVA board of directors on 29th October 2002.

RAMÓN BUSTAMANTE Y DE LA MORA
Director

Born in Madrid in 1948
Married
Graduated in Law and Economic Sciences from Universidad Complutense de Madrid.

Professional Background:
1972 – IBERIA, L.A.E. Research Department.
1975 – BANCO COMERCIAL DE CATALUÑA. Accounts Director.
1976 – BANCA GARRIGA NOGUÉS. Madrid Director.
1986 – BANCA GARRIGA NOGUÉS. Deputy General Manager.
1986 – BANESTO. Various senior posts and responsibilities: Director of Territorial Norte; (1987) Director O.P. Madrid and Regional Director for Madrid; (1990) Deputy General Manager for Sales and Marketing Strategy; (1992) General Manager and deputy Managing Director; (1993) Managing Director of Bandesco.
1996 – ARGENTARIA. Senior Managing Director and Chairman of the Control Committee; Senior Managing Director of Retail Banking; non-executive Deputy Chairman; (1997) Chairman of Unitaria.
He was appointed to his BBVA directorship on 28th January 2000.

JOSÉ ANTONIO FERNÁNDEZ RIVERO
Director

Born in Gijón (Asturias) in 1949
Married
Graduated in Economic Sciences from the Universidad de Santiago.

Professional Background:
1976 – Joined Arthur Andersen (Systems).
1977 – Joined Banco de Vizcaya, where he was Director of Administration and Control for the International Division.
1986 – Chairman of Management Committee, Banque de Gestion Financière, S.A. (Belgium).
1988-1989 – Deputy Director General for Planning and Control in Commercial Banking, and later Regional Director of Retail Banking.
In 1990 he joined Banco Exterior de España as Comptroller General, occupying the same post in Corporación Bancaria de España (Argentaria) from 1991 to 1995, where he was appointed Director General for Internal Comptrol and Oversight. In 1997 he took over the duties of General Manager for Organisation, Systems, Operations, Human Resources, Procurement and Real Estate.
In 1999, after the merger with BBV, he was appointed General Manager of BBVA Systems and Operations.
Was appointed Group General Manager in 2001, with a wide range of responsibilities in different areas.
In 2003, was appointed to represent BBVA as Deputy Chairman of Telefónica and member of its Audit and Regulation Committees, member of the Board and the Executive Committee of Iberdrola. He held these posts until 2005
He was Director of Banco de Crédito Local, and Chairman of Adquira.
He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of its Risks committee since 30th March 2004.

IGNACIO FERRERO JORDI
Director

Born in Barcelona in 1945
Married
Graduated in Law from Universidad de Barcelona.

Professional Background:
Chairman of the board of NUTREXPA, S.A., since 7th July 1997.
Chairman of the board of LA PIARA, S.A., since 10th July 1997.
Deputy chairman of the food and drink federation (FEDERACIÓN DE INDUSTRIAS DE ALIMENTACIÓN Y BEBIDAS) since 23rd April 1980.
Deputy chairman of the institute for family-run businesses (INSTITUTO DE LA EMPRESA FAMILIAR) since 10th July 2000.
Member of management board and of Executive committee of FOMENTO DEL TRABAJO NACIONAL, since January 1997.
Member of the Managing committee of MAZ (Mutua Accidentes de Zaragoza) since 31st March 2000.
Member of Management Board of Spanish commercial coding association, AECOC (Asociación Española de Codificación Comercial) since 25th February 2003.
Member of board of directors of SODIGEI (Lladró), Sociedad de Desarrollo Industrial y Gestión de Inversiones, S.A., since 7th November 2003.
Appointed member of the BBVA board on 28th January 2000. Has been Chairman of its Appointments and Remuneration Committee since June 2002.

ROMÁN KNÖRR BORRÁS
Director

Born in Sueca (Valencia) in 1939
Married
Commercial Management, Marketing and Advertising qualifications from various Institutes in Barcelona and San Sebastián.

Professional Background:
1955-1961 AREITIO, S.A. Business Group.
1961-1992 KAS Business Group (Head of Advertising and PR; Sales and Marketing Manager; Deputy Chairman of KAS, S.A. and KNÖRR ELORZA, S.A.
Director and Chairman of ZUMOS DE NAVARRA, S.A.; Director and Chairman of MIKO, AVIDESA y CASTILLO DE MARCILLA; Director of S.A. DE ALIMENTACIÓN, Director of ALIMENTOS NATURALES, S.A. and Director of AGUAS DE SAN MARTÍN DE VERI, S.A.
Also deputy chairman of the Spanish fruit-juice manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE ZUMOS) and member of management committee of Spanish advertisers' association (ASOCIACIÓN ESPAÑOLA DE ANUNCIANTES) and of management committee and steering committee of the national soft-drinks manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE BEBIDAS REFRESCANTES).
Also Chairman of CONSULNOR ÁLAVA, S.A. and Director of PATRIMIX SICAV, S.A.
From June 1994 to June 1999 was Chairman of SINDICATO EMPRESARIAL ALAVÉS.
Director of MEDIASAL 2000, S.A., and Chairman of EUROKAS SICAV, S.A. and CARBÓNICAS ALAVESAS, S.A. and director of FUTURE DRINKS & FOODS, S.L.
Was Chairman of the Basque Industrial Confederation, (Confederación Empresarial Vasca or CONFEBASK) from July 1999 to July 2005, and member of Executive Committee and Management Board of Spanish Industrial Confederation (CEOE) over the same period.
He was appointed to a BBVA directorship on 28th May 2002.

RICARDO LACASA SUÁREZ
Director

Born in Zaragoza in 1936
Married
Graduated in Industrial Engineering from Escuela de Barcelona.

Professional Background:
1962-1970 Consultant Engineer at BEDAUX, S.A.E.
Joined BANCO POPULAR ESPAÑOL in 1970.
1970-1973 Systems Department.
1973-1975 IT Manager.
1975-1981 Administrative Departments Manager.
1981-1985 Secretary of Organisation.
1985-1988 Department of Banks and Subsidiaries.
1988-1995 General Management, with responsibilities for banks and specialist companies, trading and markets, international, personnel and media.
1995-1999 Managing Director.
Was appointed Director of BBVA on 28th May 2002. Has been Chairman of Audit and Compliance Committee since June 2002.

CARLOS LORING MARTÍNEZ DE IRUJO
Director

Born in Mieres (Asturias) in 1947
Married
Graduated in Law from Universidad Complutense de Madrid.

Professional Background:
In 1971 joined J&A Garrigues, becoming a partner in 1977. Held posts as Director of M&A Department, Director of Banking and Capital Markets, and in charge of advisory services for big public companies. Since 1985, has been member of its Management Committee.
His activity has been focussed on mergers and acquisitions, advising big multinational corporations, and has been intensely involved in the legal coordination of some key global floats and placements, for Spanish and non-Spanish companies, representing arrangers and issuers.
More recently, he has focussed on consultancy services for listed companies in their big corporate operations, providing legal assistance at their Annual General Meetings.
He is a renowned specialist in corporate governance, having helped several public companies to restructure their organisation as new recommendations and regulations on good governance have been published in Spain. Was recently shortlisted by "The International Who's Who of Business Lawyers" as one of the most pre-eminent lawyers in corporate governance.
From 1984 to 1992 was member of the Governing Body of the Colegio de Abogados de Madrid (Madrid Law Association).
Has worked with the Centro de Estudios Garrigues as a member of the Advisory Board for its Masters in Private Banking.
He was appointed to a BBVA directorship on 28th February 2004.

JOSÉ MALDONADO RAMOS
Director and Company Secretary

Born in Madrid in 1952
Married
Graduated in Law from Universidad Complutense de Madrid, winning the extraordinary first prize on graduation.

Professional Background:
In 1978 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).
Was appointed Technical General Secretary to the Ministry of Territorial Administration, then Under-Secretary of the same department in 1982.
Has acted as Legal Secretary for various governing bodies on public companies, including: Astilleros y Talleres del Noroeste, S.A. (ASTANO); Aplicaciones Técnicas Industriales, S.A. (ATEINSA); Oleaginosas Españolas, S.A. (OESA); Camping Gas, S.A. and Aviación y Comercio, S.A. (AVIACO).
Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (ENDIASA); for Astilleros Españoles, S.A.; and for Iberia Líneas Aéreas de España, S.A.
Has been Legal Counsel for Banco Exterior, S.A.; Legal Counsel for Banco Internacional de Comercio, S.A. and Banco Central Hispanoamericano S.A., as well as Board Secretary of Sindibank, S.B.
Was appointed Director and Secretary General of ARGENTARIA in April 1997.
Was appointed Director and Company Secretary of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. on 28th January 2000.

ENRIQUE MEDINA FERNÁNDEZ
Director

Born in La Puebla de Montalbán (Toledo) in 1942
Married
Graduated in Law from Universidad Complutense de Madrid.
State attorney on leave of absence.

Professional Background:
In 1967 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).
Held posts in the Government's Tax and Courts Service in Cáceres; in the Directorate General for Administrative Judicial Review; and in the Supreme Court.
Has been head of the Technical Personal Staff of the Undersecretary for Finance and Director General for Territorial Planning.
In 1971, was appointed director on the board of Banco de Crédito a la Construcción.
From 1975 to 1981, held the post of Director and Board Secretary for Banco de Progreso.
From 1985 to 1989, held same posts in Corporación Financiera Alba and from 1989 to 1991, in Banco Urquijo.
Deputy Chairman of Ginés Navarro Construcciones until it merged to become Grupo ACS.
He was appointed to his BBVA directorship on 28th January 2000.

Ms. SUSANA RODRÍGUEZ VIDARTE
Director

Born in Bilbao (Vizcaya) in 1955
Married
Doctor in Economic and Business Sciences from Universidad de Deusto.

Professional Background:
Has mainly worked in the academic world.
Lecturer and researcher at the Management Department in the Economics Sciences and Economics Faculty La Comercial de la Universidad de Deusto.
Held Chair in Business Economics and Management Control, with teaching activities for undergraduate and postgraduate programmes at La Comercialin in Spain, Argentina and Chile.
Since 1996 has been Dean of the Economics and Business Sciences Faculty La Comercial de la Universidad de Deusto and since 2003, Director of Instituto Internacional de Dirección de Empresas. Is currently member of the Executive Committee of the Management Board of the Universidad de Deusto and its Academic Committee.
Member of Board of Governor of Fundación Deusto; of Fundación Luis Bernaola and the Management Board of Cluster del Conocimiento en Gestión Empresarial.
Joint Editor of Boletín de Estudios Económicos.
Member of Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute).
She was appointed to her BBVA directorship on 28th May 2002.

JOSÉ MARÍA SAN MARTÍN ESPINÓS
Director

Born in Madrid in 1935
Married
Doctor in Engineering (Public Works) from E.T.S.I. de Caminos, Canales y Puertos de Madrid.

Professional Background:
CONSTRUCCIONES SAN MARTÍN, S.A. Managing Director and member of the Board.
INMOBILIARIA NAVARRA, S.A. Chairman.
SAFINCA, S.A. Director.
INMOBILIARIA COSMAR, S.A. Chairman.
FIDAI, S.A. Director.
ARESOL, S.A. Deputy Chairman.
CONSTRUCCIONES INDUSTRIALES Y URBANAS, S.A.: Deputy Chairman.
SAN MARTÍN PROYECTOS INMOBILIARIOS, S.A.: Director.
S.A.I.D.E. Director.
He was appointed to his BBVA directorship on 28th January 2000.

ÁNGEL VILÁ BOIX
Director

Born in Barcelona in 1964
Married
Graduated in Industrial Engineering from Universidad Politécnica de Cataluña.
MBA from Columbia University (New York).

Professional Background:
Began his career as Financial Analyst at CITIBANK NA.
Consultant at MCKINSEY & CO.
Involved in business development in the FERROVIAL and PACSA groups.
In January 1997, joined the TELEFÓNICA Group as Deputy Comptroller General.
From January to August 1998 was General Manager of Finanzas, Control e Inversiones de Telefónica Internacional.
From September 1998 to September 1999, was General Manager for Corporate Development and Control in TELEFÓNICA, S.A.
In October 1999, joined GRUPO PLANETA as General Business Manager.
Re-joined TELEFÓNICA in May 2000 as General Manager of Corporate Development, sitting on the Group's Executive Committee.
Member of the Board of Directors of ENDEMOL.
Was appointed representative of the Telefónica de España, S.A. directorship on the BBVA Board of Directors in March 2001.

The ordinary meetings of the board of directors shall take place monthly and an annual schedule of the ordinary sessions shall be drawn up sufficiently in advance. During 2005 the board of directors has met fifteen times, the chairman of the board attending all its sessions.

The board of directors may meet whenever the chairman or the Executive committee deem it advisable, or at the behest of at least one quarter of the board members in office at any time. In such

case, the chairman must convene the board within 15 days as of receiving the request to call the meeting.

The board shall also be validly constituted when all its members are present and unanimously resolve to constitute a meeting.

Directors shall be provided with any information or clarification they deem necessary or appropriate in connection with the matters to be considered at the meeting. This can be done before or during the meeting.

The chairman shall encourage the participation of directors in the meetings and deliberations of the Board and shall put matters to a vote when he/she considers they have been sufficiently debated.

Group executives and others may join the meetings should the chairman deem their attendance helpful in ensuring proper treatment of the business laid before the board.

Article 48 of the company bylaws establishes that the board of directors, in order to best pursue its duties, may create any committees it deems necessary to help it on issues that fall within the scope of its powers.

The board of directors has constituted the committees listed below along with their respective members:

BOARD COMMITTEES

FULL NAME	Executive Committee	Audit and Compliance Committee	Appointments and Remuneration Committee	Risks Committee
González Rodríguez, Francisco	●			
Goirigolzarri Tellaeche, José Ignacio	●			
Álvarez Mezquíriz, Juan Carlos	●		●	
Breeden, Richard C.				
Bustamante y de la Mora, Ramón		●		●
Fernández Rivero, José Antonio				●
Ferrero Jordi, Ignacio		●	●	
Knörr Borrás, Román	●			
Lacasa Suárez, Ricardo		●		●
Loring Martínez de Irujo, Carlos		●	●	
Maldonado Ramos, José				●
Medina Fernández, Enrique	●			●
Rodríguez Vidarte, Susana		●		
San Martín Espinós, José María	●		●	
Vilá Boix, Ángel (representative of Telefónica de España, S.A.)				

Executive Committee

In accordance with the company bylaws, the board of directors can appoint an Executive committee, once two-thirds of its members vote for it and it is duly filed at the Company Registry.

The board of directors has constituted an Executive committee, to which it has delegated all its powers of administration, except those that the law and/or bylaws deem undelegatable due to their essential nature.

On 31 December 2005, this committee was made up of six members, of whom two were executive directors and four independent directors. Its composition is as follows:

Chairman: Francisco González Rodríguez

President and COO: José Ignacio Goirigolzarri Tellaeche

Members: Juan Carlos Álvarez Mezquíriz
Román Knörr Borrás
Enrique Medina Fernández
José María San Martín Espinós

The Executive committee deals with those matters that the board of directors has delegated to it in accordance with prevailing legislation or company bylaws.

According to the company bylaws, its faculties include the following: to formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, to examine the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the entity; to determine the volume of investment in each individual activity; to approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the entity; and in general to exercise the faculties delegated to it by the board of directors.

Specifically, the Executive committee is entrusted with evaluation of the bank's system of corporate governance. This shall be analysed in the context of the company's development and of the results it has obtained, taking into account any regulations that may be passed and recommendations made regarding best market practices, adapting these to the company's specific circumstances.

The Executive committee shall hold ordinary meetings twice a month, although the board regulations allow it to meet as often as considered necessary by its chairman or by the person who exercises her/his functions, or at the request of a majority of its members.

During 2005, the Executive committee met 22 times.

Audit and Compliance Committee

The BBVA Audit and Compliance committee assists the board of directors in supervising financial statements and the oversight of the BBVA group.

It must have a minimum of four independent directors appointed by the board. One of these shall act as chairman, also appointed by the board.

On 31 December 2005, the BBVA Audit and Compliance Committee comprised the following members:

Chairman: Ricardo Lacasa Suárez

Members: Ramón Bustamante y de la Mora
Ignacio Ferrero Jordi
Carlos Loring Martínez de Irujo
Susana Rodríguez Vidarte

The scope of its functions is as follows:

- Supervise the internal control systems' sufficiency, appropriateness and efficacy in order to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in their annual and quarterly reports. Also to oversee the accounting and financial information that the Bank of Spain or other regulators from Spain and abroad may require.

- Oversee compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of group activities with respect to anti-trust regulations. Also ensure that any requests for information or for a response from the competent bodies in these matters are dealt with in due time and in due form.
- Ensure that the internal codes of ethics and conduct and securities market operations, as they apply to group personnel, comply with legislation and are properly suited to the bank.
- Especially to enforce compliance with provisions contained in the BBVA directors charter, and ensure that directors satisfy applicable standards regarding their conduct on the securities markets.

Ensure the accuracy, reliability, scope and clarity of the financial statements. The committee shall constantly monitor the process by which they are drawn up, holding frequent meetings with the bank executives responsible for them and the external auditor.

The committee shall also monitor the independence of external auditors. This entails the following two duties:

- Ensuring that the auditors' warnings, opinions and recommendations cannot be compromised.
- Establishing the incompatibility between the provision of audit services and the provision of consultancy, unless there are no alternatives in the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such event, the committee must grant its approval, which can be done in advance by delegation to its chairman.

The committee selects the external auditor for the bank and its group, and for all the group companies. It must verify that the audit schedule is being carried out under the service agreement and that it satisfies the requirements of the competent authorities and the bank's governing bodies.

The Audit and Compliance committee meets as often as necessary to comply with its tasks, although an annual meeting schedule is drawn up in accordance with its duties. During 2005 the Audit and Compliance committee met thirteen times.

Executives responsible for Comptrol, Internal Audit and Standards Compliance are invited to attend the meetings and, at the request of these executives, other staff from these departments who have particular knowledge or responsibility in the matters contained in the agenda, can also be invited when their presence at the meeting is deemed appropriate. However, only the committee members and the secretary shall be present when the results and conclusions of the meeting are evaluated.

The committee may hire external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the group on grounds of specialisation or independence.

Likewise, the committee can call on the personal co-operation and reports of any member of the management team when it considers that this is necessary to carry out its functions with regard to relevant issues.

The committee has its own specific regulations, approved by the board of directors. These are available on the bank's website and, amongst other things, regulate its operation.

Appointments and Remuneration Committee

The Appointments and Remuneration committee of the BBVA board of directors helps the board on issues regarding the appointment of bank directors and aspects relating to pay that the board may commend to it, in particular, that of the members of the bank's board of directors.

On 31st December 2005, the composition of the Appointments and Remuneration committee was as follows:

Chairman: Ignacio Ferrero Jordi

Members: Juan Carlos Álvarez Mezquíriz
Carlos Loring Martínez de Irujo
José María San Martín Espinós

Its duties, apart from the afore-mentioned duty in the appointment of directors, include proposing the remuneration system for the board as a whole, within the framework established in the company bylaws. This entails determination of its items, the amount payable for each item and the settlement of said amount, and, as mentioned above, the scope and amount of the remuneration, rights and economic compensation for the CEO, the COO and the bank's executive directors in order to include these aspects in a written contract. Said duties shall be executed by virtue of the authority conferred on the members of this committee by the board of directors.

The committee analyses proposals regarding reward plans to run over various years for the bank's senior management and issues an opinion on them to the due corporate bodies. It must be aware of the basic principles of the bank's wage policy and especially the average fixed and variable remuneration of the members of the Management committee and any associated annual adjustments.

The committee also analyses the pay policy for directorships in companies in which the bank holds a direct or indirect interest, and examines the remuneration criteria for the boards of companies controlled by the group.

The chairman of the Appointments and Remuneration Committee shall convene it as often as necessary to comply with its functions although an annual meeting schedule shall be drawn up in accordance with its duties. During 2005 the Appointments and Remuneration committee met 5 times.

In accordance with the BBVA board regulations, the committee may ask members of the group organisation attend its meetings, when their responsibilities relate to its duties. It may also receive any advisory services it requires to inform its criteria on issues falling within the scope of its powers.

Risks Committee

The Risks committee has been set up to periodically analyse and monitor risk management within the terms and conditions of the bank's governing bodies' powers. It comprises a minimum of three members, the majority of whom are non-executive directors, all appointed by the board of directors, which also appoints its chairman.

On 31 December 2005, the composition of the Risks Committee was as follows:

Chairman: José Antonio Fernández Rivero

Members: Ramón Bustamante y de la Mora
Ricardo Lacasa Suárez
José Maldonado Ramos
Enrique Medina Fernández

The scope of its functions is as follows:

- Analyse and evaluate proposals related to the group's strategy and risk policies and submit these to the bank's Executive committee for approval.
- Monitor the degree to which actual exposure matches the established profile, as a measure of the bank's risk tolerance and the expected return from risks incurred.

- Approve risk operations under the established system of delegation.
- Check that the group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.
- Submit proposals to the bank's Executive committee as it considers necessary or advisable in order to bring the group's risk management in line with best practice arising from recommendations on corporate governance systems or from supervisory bodies on risk matters.

The committee has specific regulations, approved by the board of directors. These establish that the chairman or his/her substitute under its regulations must convene the committee to meet as often as necessary to comply with its mission. Nonetheless, a meeting schedule is also drawn up in keeping with its tasks. During 2005 the Risks committee met 82 times.

COMPLIANCE SYSTEM

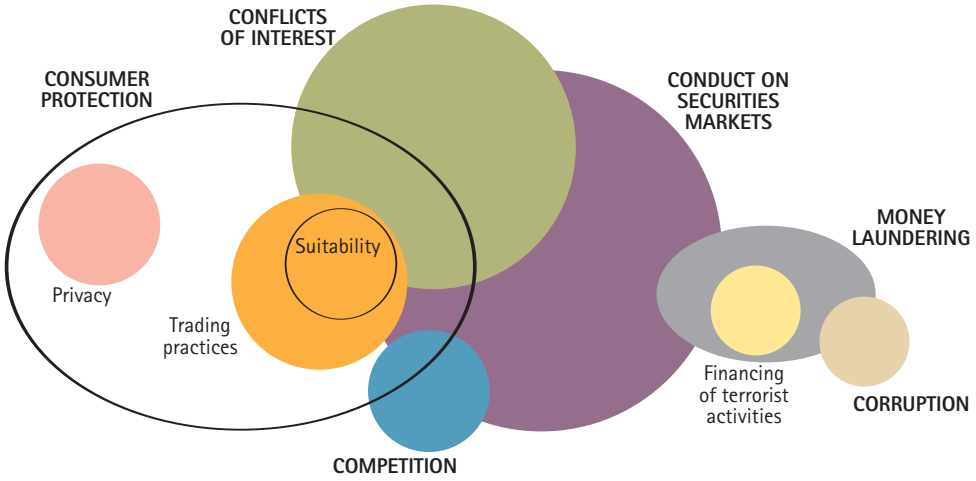
General aspects

The BBVA Group Code of Conduct (available on the Group's website at www.bbva.com, in the section on corporate governance) defines and develops the rules of ethical behaviour and guidelines for action to preserve one of the Group's principal sources of value: its corporate integrity.

In April 2005 the Committee on Banking Supervision of the Bank for International Settlements (BIS) issued the document "Compliance and the Compliance Function in Banks", which lays down best practices in the management of compliance risk, a concept which recent changes in markets, market regulations and the demands and expectations of society have imbued with particular significance.

Compliance risk is a derivative of the way in which the Group handles its business relations with third parties and the way in which it acts in the market on the one hand, and of the effectiveness of the mechanisms adopted to prevent the Group's products and services from being used improperly on the other. For BBVA, compliance risk means the regulatory and/or reputational risk attached to matters of compliance, and this definition forms the basis for the drawing up of a management framework (Compliance System) that is closely linked to the goal of preserving the Group's corporate integrity.

Matters of compliance



The size of the figures on this graphic is not representative of the degree of importance placed on each matter of compliance by BBVA.

Among the elements of business (policies, procedures, internal controls, human and material resources) that BBVA has allocated to the management and monitoring of compliance risk, Compliance Function deserves special mention: in line with BIS criteria, its work centres on three lines of activity:

- It promotes the adaptation of policies and procedures in the face of changes in regulations, and supervises their implementation.
- It takes part in committees on new products and business to ensure that future development is in line with corporate policies and incorporates the elements needed to identify and assess any compliance risk.
- It monitors and reviews critical processes on a recurrent basis in line with the compliance programme drawn up each year, identifies and assesses risks, proposes corrective measures and supervises and assists in the drawing up and distribution of training material.

Alongside the corporate governance system, the Compliance System forms the foundation of BBVA's corporate commitment to carrying out all its activities and business operations in compliance with strict ethical standards of behaviour.

Rules of conduct

As part of the process of disseminating and reinforcing the corporate culture, an in-house communication plan was drawn up in 2005 which resulted in most employees attending training sessions that covered the most significant aspects of the BBVA Group's Code of Conduct. To enhance operational effectiveness, various procedures and guidelines for action have been developed and implemented to supplement the general aspects of the Code.

In the Securities Market area, a number of schemes have been developed to help improve the effectiveness and efficiency of internal controls and procedures:

1) Measures designed to strengthen and improve the efficiency of internal controls: a central control room has been set up to handle the task of monitoring the buying and selling of securities on their own account by persons subject to the Code of Conduct in the Securities Market area at branch offices and European subsidiaries.

2) Review and updating of rules and procedures: the main point to be highlighted here is the updating of procedures applicable to asset risk activities (negotiable securities and real-estate), risk capital activities and the issuing of financial analysis reports.

3) Updating of the Code of Conduct in the Securities Market area: this process was begun late in 2005 following the enactment of the regulations implementing the Collective Investment Institutions Act (*Ley de Instituciones de Inversión Colectiva*) and the Royal Decree on Market Abuse (*Real Decreto de Abuso de Mercado*), and concluded early in 2006.

Prevention of money laundering and of the financing of terrorist activities

The regulations governing this area have changed significantly in most of the jurisdictions where the Group operates (in Spain, Royal Decree 54/2005 of 21 January modified the regulations implementing Act 19/1993 on certain measures to prevent money laundering), and this has led to changes in the Group's procedures and systems. However, those changes have had no significant effect on the more structural elements of the risk management model for money laundering.

- Monitoring systems: 2005 saw the completion in Spain of the implementation of the new technology platform for monitoring operations, and the commencement of its implementation in Mexico. It is expected to be extended to the remaining Latin American banks in 2006.
- Training: almost 58,000 people took part in training activities on this subject in 2005 (21,000 of them in Spain), close to three times as many as in 2004.
- Human resources: the number of specialists in the prevention of money laundering and of the financing of terrorist activities employed by Compliance Function increased by 16% to 163 by the end of 2005.

Personal data protection

Throughout 2005 improvements were carried out as envisaged in the action plans emerging from the 2004 biennial audit of security measures in compliance with Royal Decree 994/99 of 11 June.

The high standard of internal control at the organisations that make up the BBVA Group in Spain is evidenced by the small number of third-party actions arising from incidents in this area (28 cases in 2005) and the scant financial repercussions of those actions (around €350,000).

STEERING COMMITTEE [1]

Chairman and CEO
Mr. Francisco González Rodríguez

President and COO
Mr. José Ignacio Goirigolzarri Tellaeche

Other members of the Steering Committee	
Mr. José María Abril Pérez	Wholesale and Investment Banking
Mr. Eduardo Arbizu Lostao	Legal Department
Mr. Juan Asúa Madariaga [2]	SMEs and Corporate Banking in Spain and Portugal (Wholesale and Investment Banking)
Mr. Javier Ayuso Canals [2]	Communication and Image
Mr. José Barreiro Hernández [2]	Global Businesses (Wholesale and Investment Banking)
Mr. Javier Bernal Dionis [2]	Business Development and Innovation (Retail Banking in Spain and Portugal)
Mr. Ángel Cano Fernández	HR, IT & Operations
Mr. José María García Meyer-Dohner [2]	USA
Mr. Manuel González Cid	CFO
Mr. Jaime Guardiola Romojaro [2]	Mexico
Mr. José Maldonado Ramos	Secretary General
Mr. Manuel Méndez del Río	Risk
Mr. Vitalino Nafría Aznar	Retail Banking in Spain and Portugal
Mr. Vicente Rodero Rodero [2]	Commercial Banking Spain (Retail Banking in Spain and Portugal)
Mr. Ignacio Sánchez-Asiaín Sanz	South America
Mr. José Sevilla Álvarez	Chairman's Area

(1) Composition as of 31 December 2005, according to the new organisational structure approved in December 2005.
(2) Joined the Committee in December 2005.

CORPORATE RESPONSIBILITY

Corporate responsibility at BBVA

The BBVA Group understands its corporate responsibility to be its all-encompassing pledge to provide the utmost value possible on a balanced basis to each and every one of its direct stakeholders: shareholders and investors, customers, employees, suppliers, regulators and the sum of societies in which it operates. A commitment, therefore, to optimise the wealth generated for each one of them: to attend to them in the finest way possible, with the highest levels of quality, integrity and transparency, whilst strictly upholding the law and the recommendations of regulators. An understanding of business management that also implies a balanced consideration of each and every one of the implications involved in its business: not only within the economic and financial spheres, but also within the human, social and environmental dimensions.

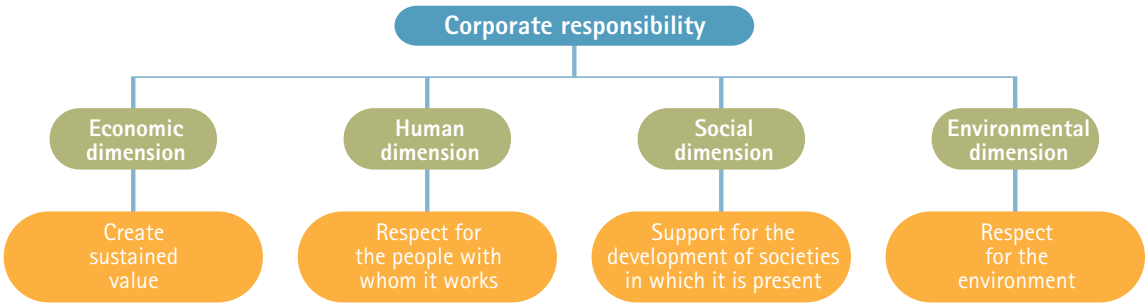
Dimensions of corporate responsibility at BBVA

A detailed breakdown of the way in which BBVA understands and implements this notion, as well as its main actions in this field in 2005, may be found in the Annual Corporate Responsibility Report 2005, published jointly with this report and available on the corporate website (www.bbva.com).

Corporate responsibility is a notion in which BBVA acknowledges a growing social demand, albeit one in which, furthermore, it detects significant scope for value creation within the company itself, insofar as it contributes to a general improvement in management and greater acceptance of the entity by both stakeholders and society as a whole. For BBVA, however, corporate responsibility is also inherent to its mission and values; a core component of its corporate culture and vision: "Working towards a better future for people".

This is a pledge that BBVA has consolidated in the document setting forth its culture (*La Experiencia BBVA* – The BBVA Experience), in its Corporate Principles and in the BBVA Group Code of Conduct – which constitutes the linchpin of its policy for upholding demanding levels of integrity, ethics and honesty in all its dealings and business activities, as well as in those operating codes applicable to specific areas or activities. Likewise, it has ratified this pledge through its adherence to the main international agreements in this matter: the United Nations Global Compact for fostering business responsibility (www.globalcompact.org) and the United Nations Environment Programme – Finance Initiative (www.unepfi.org), publicly manifesting its respect for the United Nations Universal Declaration of Human Rights and the basic legislation of the International Labour Organisation. In addition, since 2004 BBVA has been a signatory of a specific initiative of significance for corporate responsibility in the financial sector: the Equator Principles, a series of guidelines propounded by the World Bank for the furtherance of stringent social and environmental criteria in the financing of major investment projects in emerging countries (www.equator-principles.com).

Dimensions of corporate responsibility at BBVA



BBVA'S CORPORATE RESPONSIBILITY RATINGS ACCORDING TO THE FOREMOST SPECIALIST AGENCIES

Organisation	Dimension	2005 BBVA	2005 Sector average	2004 BBVA	2004 Sector average	
SAM [a]	Economic dimension	88	62	65	50	• BBVA has been included in DJSI World since 2001 • BBVA has been included in DJSI STOXX since 2005
	Environmental dimension	48	32	43	28	
	Social dimension	80	46	65	43	
	Overall score	75	48	60	42	
EIRIS	Inclusion in the Index	Yes		Yes		• BBVA has been included in FTSE4Good since 2003
VIGEO [a,b,c]	Human Resources	44	=	58	+	• BBVA is included in ASPI Euro zone
	Environment	45	=	30	=	
	Customers and Suppliers	61	+	58	+	
	Corporate Governance	56	+	58	+	
	Community	65	+	58	=	
	Human Rights	57	=	51	=	
SIRI [a]	Overall score	70.8	52.6	72.4	53.6	
OEKOM [d]	Environmental dimension	C-		D+		• BBVA is rated as Prime in the comparison of best world banks or Best in Class
	Social dimension	B-		C		
	Overall score	C+		C-		
STOREBRAND	Inclusion in the Index	Yes		Yes		• Included in the list of the world's 26 best banks or Best in Class, in social and environmental practices

[a] Scoring range: 0 to 100.
[b] Rating compared to industry average: ++ Pioneer, + Advanced, = Average, - Below average, -- Unconcerned.
[c] VIGEO also carries out "Corporate-solicited ratings", performing corporate audits on request from businesses.
[d] Scoring range: A+ to D-.

In order to realise this pledge, the BBVA Group has a central department of Corporate Responsibility and Reputation – integrated within the area of Communication and Image – and deploys coordinators in each and every one of the Group's companies in the Americas. Yet corporate responsibility understood from a comprehensive viewpoint is something that can only be implemented through an approach that is likewise comprehensive: embedding it within the Group's overall strategy and embracing it in all the organisation's units and activities. The Group is furthering this within the framework of a steadfast commitment to innovation. There follows an overview of the main lines of action that the BBVA Group has continued or pursued in 2005 in the more salient aspects of its corporate responsibility.

Shareholders and investors

Sustained value creation over time for shareholders is a core objective for BBVA and a key dimension of its responsibility. An objective framed within a policy underpinned by stringent standards of ethics, transparency and equitability in its dealings with shareholders and investors under the aegis of its Corporate Governance System. In turn, BBVA aims to supplement the direct financial benefits forthcoming for its shareholders with greater information and the best service available. It avails itself accordingly of highly-consolidated avenues of dialogue: in addition to the Annual Report, Quarterly Results Reports and its website, the Shareholders' Office, the Major Investors' Management Unit and the Department of Relations with Investors, Analysts

and Rating Agencies each have their own specific instruments for monitoring, reporting and attending to their respective segments.

Customers

BBVA understands that its underlying responsibility regarding its customers lies above all in the quest for continuous improvement in the quality and service provided, as well as in the desire to abide by steadfast ethical criteria and standards of integrity. A sphere in which a priority concern has been to deal with the industry's more sensitive issues: money laundering, fraud, corruption, the use of its channels for criminal activities, strict codes of conduct regarding securities' markets or in dealings with persons or institutions of special public import, safeguarding personal data, etc. In addition to this, the Group arranges a whole gamut of products and services with specific corporate responsibility criteria: socially responsible investment, special attention in catering for small companies, non-profit organisations and public institutions, microfinances, environmentally-friendly products and preferential lines targeting especially needy groups (migrant workers, underprivileged persons, large families, young people, the elderly, etc). There is a line in Spain of cost-free *Préstamos Familiares* (Family Loans) for helping families to address certain basic needs, and a far-reaching programme in the Americas for groups that have difficulty in accessing the financial sector. These actions are complemented by a growing consideration for social, ethical and environmental factors in lending risk assessment, most especially in the financing of major projects.

Employees

BBVA understands that its core responsibility in this sphere lies in its quest for maximum reciprocal value creation and the best possible working environment within the framework of a management model underscored by the commitments outlined in *La Experiencia BBVA*: the recognition of merit, the professional and personal development of employees, the fostering of teamwork, encouragement for creativity, the upholding of diversity and equal opportunities and the creation of a climate of trust. The following are core elements in the attainment of these goals:

- Skills management underpinned by worth appraisal.
- Safeguarding personal integrity and human rights.
- Dedicated effort in knowledge management and training (€34.3m in 2005).
- An internal communications policy with numerous channels of information and dialogue in all Group companies.
- Recruitment policy founded on respect for diversity and equal opportunities.
- Permanent monitoring of customer satisfaction.
- Major benefits in terms of social welfare, supplemented in 2005 by the provisions made for employees within the programme *Pasión por las Personas* (Passion for People).
- An industrial relations policy based on dialogue and trade union involvement, with such initiatives as the creation of a European Workers' Committee, an Agreement of Intent with the Group's trade union delegates in Latin America or the subscription in 2005 of a major Agreement on Equality and the Reconciliation of Work and Family Life with trade union delegations.
- A sound policy on health and the prevention of industrial hazards, with wide-ranging trade union involvement.
- Encouragement of employee involvement in humanitarian causes.

Suppliers

The BBVA Group wants its dealings with suppliers to be ruled by criteria of objectivity, transparency, professionalism and equal opportunities, fostering amongst them the ethical principles and responsibility that underpin its own operations. Its activities in this field are governed by a Code of Ethics (developed accordingly by the Group's overall Code of Conduct) and involve a suppliers' approval system that considers ethical, social and environmental criteria in accordance with the UN Global Compact (which BBVA distributes

amongst its suppliers). In addition, BBVA constantly monitors supplier satisfaction and pays special attention to local suppliers in each country it is active in.

Environment

A priority objective for the BBVA Group is to further sustainable development within the framework of an Environmental Policy (in force since 2003) and an Environmental Management System designed to encourage environmentally-responsible conduct in all those activities it pursues and minimise its environmental impact, both directly and indirectly caused by its business activity. Lines of special significance in this context are:

- The subscription of the aforementioned international undertakings.
- Fostering eco-efficiency in the consumption of natural resources and in waste treatment.
- Policy on ISO 14001 environmental management certificates.
- Actions in support of the Kyoto Protocol.
- Consideration of environmental factors in risk management and lending, focusing especially on major investment projects (and particularly on those affected by the Equator Principles).
- Development of products and services geared towards enhancing the environmental impact in all business spheres.
- Advancement of responsible conduct within the organisation itself, with schemes for instruction, awareness and furtherance regarding environmental innovation.
- Environmental trusteeship particularly through the BBVA Foundation and Anida.

Community support

The BBVA Group is firmly committed to quality of life and to the development of those societies in which it pursues its activities. A pledge that it embraces through its everyday business, yet also through a dynamic policy of direct community support, backing myriad social interest schemes in different fields (mainly social welfare, education, culture, dissemination of knowledge in economics and social sciences, health, environment and the promotion of social responsibility in organisations). It is a policy to which the Group and its foundations have allocated €46.5m in 2005, and is pursued through several channels:

- Trusteeship and sponsorship schemes undertaken by different Group units.
- The activity of the Group's foundations (Spain, Argentina, Mexico, Peru and Venezuela).
- Actions involving special products and services: particularly the cost-free *Préstamos Familiares* included within the *BBVA Plan Familias* (BBVA Families Plan).
- Encouraging voluntary work amongst employees.
- Seeking customer involvement in humanitarian causes.
- Donation of funds to charitable organisations.

COMMUNITY SUPPORT: FUNDS ALLOCATED BY THE BBVA GROUP AND ITS FOUNDATIONS [1]

(Thousand euros)

	2005	2004	2003	2002
BBVA Group in Spain, Portugal & Andorra	21,081	18,886	11,255	7,571
BBVA Group in Latin America	4,618	1,598	3,822	2,642
BBVA Foundation (Spain)	16,970	14,570	16,387	15,134
Foundations in Latin America	3,817	3,264	3,845	3,575
TOTAL	**46,486**	**38,318**	**35,309**	**28,922**

(1) The methodology applied in the preparation of these data is explained in the Annual Corporate Responsibility Report 2005.

LEGAL DOCUMENTATION

INDEX

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Banco Bilbao Vizcaya Argentaria, S.A.:

1. We have audited the consolidated financial statements of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (the Bank) and COMPANIES composing the BANCO BILBAO VIZCAYA ARGENTARIA Group (the Group – Note 4), which consist of the consolidated balance sheet at 31 December 2005, and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Bank's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As indicated in Note 1 to the consolidated financial statements referred to above, the consolidated financial statements for 2005 are the first that the Group has prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRSs), which require, in general, that the consolidated financial statements present comparative information. In this regard, in accordance with corporate legislation, for comparison purposes the Bank's directors present, in addition to the figures for 2005 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2004, which were restated by applying the EU-IFRSs in force at 31 December 2005. Accordingly, the figures for 2004 presented in the consolidated financial statements for 2005 referred to above do not constitute the consolidated financial statements for 2004, since they differ from those contained in the consolidated financial statements for that year, which were prepared in accordance with the accounting principles and standards then in force (Bank of Spain Circular 4/1991) and approved by the shareholders at the Annual General Meeting on 26 February 2005. The main effects of the differences between the two sets of standards on the Group's consolidated equity at 1 January and 31 December 2004, and on the Group's consolidated income for 2004 are detailed in Note 3 to the consolidated financial statements for 2005. Our opinion refers only to the consolidated financial statements for 2005. Our auditor's report dated 3 February 2005, on the consolidated financial statements for 2004, prepared in accordance with the accounting principles and standards in force in that year (Bank of Spain Circular 4/1991), contained a uniformity qualification.

3. In our opinion, the consolidated financial statements for 2005 referred to above present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2005, and the consolidated results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the International Financial Reporting Standards adopted by the European Union which were applied on a basis consistent with that used in the preparation of the financial statements and other information for 2004 which, as explained in paragraph 2 above, are presented in the consolidated financial statements for 2005 referred to above for comparison purposes only.

4. The accompanying directors' report for 2005 contains the explanations which the Bank's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the consolidated financial statements for 2005. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated companies' accounting records.

DELOITTE
Registered in ROAC under no. S0692

Francisco Celma
February 13, 2006

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1 and 58), In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004
(Notes 1 to 5)

	Thousands of Euros	
ASSETS	2005	2004(*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 10)	12,341,317	10,123,090
FINANCIAL ASSETS HELD FOR TRADING (Note 11)	44,011,781	47,036,060
Loans and advances to credit institutions	–	–
Money market operations through counterparties	–	–
Loans and advances to other debtors	–	–
Debt securities	24,503,507	30,396,579
Other equity instruments	6,245,534	5,690,885
Trading derivatives	13,262,740	10,948,596
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 12)	1,421,253	1,059,490
Loans and advances to credit institutions	–	–
Money market operations through counterparties	–	–
Loans and advances to other debtors	–	–
Debt securities	282,916	58,771
Other equity instruments	1,138,337	1,000,719
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 13)	60,033,988	53,003,545
Debt securities	50,971,978	45,037,228
Other equity instruments	9,062,010	7,966,317
LOANS AND RECEIVABLES (Note 14)	249,396,647	196,892,203
Loans and advances to credit institutions	27,470,224	16,702,957
Money market operations through counterparties	–	241,999
Loans and advances to other debtors	216,850,480	172,083,072
Debt securities	2,291,889	5,497,509
Other financial assets	2,784,054	2,366,666
HELD-TO-MATURITY INVESTMENTS (Note 15)	3,959,265	2,221,502
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	–	–
HEDGING DERIVATIVES (Note 16)	3,912,696	4,273,450
NON-CURRENT ASSETS HELD FOR SALE (Note 17)	231,260	159,155
Loans and advances to credit institutions	–	–
Loans and advances to other debtors	–	–
Debt securities	–	–
Equity instruments	–	–
Tangible assets	231,260	159,155
Other assets	–	–
INVESTMENTS (Note 18)	1,472,955	1,399,140
Associates	945,858	910,096
Jointly controlled entities	527,097	489,044
INSURANCE CONTRACTS LINKED TO PENSIONS	–	–
REINSURANCE ASSETS (Note 19)	235,178	80,268
TANGIBLE ASSETS (Note 20)	4,383,389	3,939,636
Property, plants and equipment	3,840,520	3,337,728
Investment properties	76,742	162,649
Other assets leased out under an operating lease	466,127	439,259

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004
(Notes 1 to 5)

	Thousands of Euros	
ASSETS	**2005**	**2004(*)**
INTANGIBLE ASSETS (Note 21)	2,070,049	821,084
Goodwill	1,857,854	710,493
Other intangible assets	212,195	110,591
TAX ASSETS (Note 35)	6,420,745	5,990,696
Current	254,151	165,959
Deferred	6,166,594	5,824,737
PREPAYMENTS AND ACCRUED INCOME (Note 22)	557,278	717,755
OTHER ASSETS (Note 23)	1,941,693	1,724,082
Inventories	339,472	279,897
Other	1,602,221	1,444,185
TOTAL ASSETS	**392,389,494**	**329,441,156**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 58 and Appendixes I to VIII are an integral part of the consolidated balance sheet at 31 December 2005.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004
(Notes 1 to 5)

	Thousands of Euros	
LIABILITIES AND EQUITY	2005	2004(*)
FINANCIAL LIABILITIES HELD FOR TRADING (Note 11)	16,270,865	14,785,555
Deposits from credit institutions	–	–
Money market operations through counterparties	–	–
Deposits from other creditors	–	–
Debt certificates (including bonds)	–	–
Trading derivatives	13,862,644	12,802,912
Short positions	2,408,221	1,331,501
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 24)	740,088	834,350
Deposits from credit institutions	–	–
Deposits from other creditors	740,088	834,350
Debt certificates (including bonds)	–	–
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY (Note 25)	–	–
Deposits from credit institutions	–	–
Deposits from other creditors	–	–
Debt certificates (including bonds)	–	–
FINANCIAL LIABILITIES AT AMORTISED COST (Note 26)	329,505,250	275,583,527
Deposits from central banks	21,189,193	23,301,105
Deposits from credit institutions	45,125,943	44,048,115
Money market operations through counterparties	23,252	657,997
Deposits from other creditors	182,635,181	149,891,799
Debt certificates (including bonds)	62,841,755	45,482,121
Subordinated liabilities	13,723,262	12,327,377
Other financial liabilities	3,966,664	2,875,013
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	–	183,201
HEDGING DERIVATIVES (Note 16)	2,870,086	3,131,572
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	–	–
Deposits from central banks	–	–
Deposits from credit institutions	–	–
Deposits from other creditors	–	–
Debt certificates (including bonds)	–	–
Other liabilities	–	–
LIABILITIES UNDER INSURANCE CONTRACTS (Note 27)	10,500,567	8,114,429
PROVISIONS (Note 28)	8,701,085	8,391,848
Provisions for pensions and similar obligations	6,239,744	6,304,284
Provisions for taxes	146,971	173,299
Provisions for contingent exposures and commitments	452,462	348,782
Other provisions	1,861,908	1,565,553
TAX LIABILITIES (Note 35)	2,100,023	1,620,795
Current	598,285	223,656
Deferred	1,501,738	1,397,139
ACCRUED EXPENSES AND DEFERRED INCOME (Note 22)	1,709,690	1,265,780
OTHER LIABILITIES (Note 23)	2,689,728	2,375,978
EQUITY HAVING THE NATURE OF FINANCIAL LIABILITY	–	–
TOTAL LIABILITIES	**375,087,382**	**316,420,478**

LIABILITIES AND EQUITY	Thousands of Euros 2005	2004(*)
MINORITY INTERESTS (Note 29)	971,490	737,539
VALUATION ADJUSTMENTS	3,294,955	2,106,914
Available-for-sale financial assets	3,002,784	2,320,133
Financial liabilities at fair value through equity	–	–
Cash flow hedges	(102,538)	(24,776)
Hedges of net investments in foreign operations	(443,561)	282,895
Exchange differences	838,270	(471,338)
Non-current assets held for sale	–	–
SHAREHOLDERS' EQUITY	13,035,667	10,960,810
Capital (Note 31)	1,661,518	1,661,518
Issued	1,661,518	1,661,518
Unpaid and uncalled (-)	–	–
Share premium (Note 32)	6,658,390	6,682,603
Reserves (Note 33)	2,172,158	745,134
Accumulated reserves (losses)	1,923,243	444,193
Retained earnings	–	–
Reserves (losses) of entities accounted for using the equity method	238,915	300,941
Associates	(60,542)	8,153
Jointly controlled entities	299,457	292,788
Other equity instruments	141	–
Equity component of compound financial instruments	–	–
Other	141	–
Less: Treasury shares (Note 34)	(96,321)	(35,846)
Income attributed to the Group	3,806,425	2,922,596
Less: Dividends and remuneration	(1,166,644)	(1,015,195)
TOTAL EQUITY	**17,302,112**	**13,805,263**
TOTAL LIABILITIES AND EQUITY	**392,389,494**	**329,441,156**

MEMORANDUM ITEMS	Thousands of Euros 2005	2004(*)
CONTINGENT EXPOSURES (Note 38)	29,861,597	21,557,649
Financial guarantees	29,176,854	21,102,311
Assets earmarked for third-party obligations	–	5,215
Other contingent exposures	684,743	450,123
CONTINGENT COMMITMENTS (Note 38)	89,498,392	66,762,402
Drawable by third parties	85,001,452	60,716,878
Other commitments	4,496,940	6,045,524

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 58 and Appendixes I to VIII are an integral part of the consolidated balance sheet at 31 December 2005.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Notes 1 to 5)

Thousands of Euros

	2005	2004(*)
INTEREST AND SIMILAR INCOME (Note 43)	15,847,674	12,352,338
INTEREST EXPENSE AND SIMILAR CHARGES (Note 44)	(8,932,200)	(6,447,944)
Income on equity having the nature of a financial liability	–	–
Other	(8,932,200)	(6,447,944)
INCOME FROM EQUITY INSTRUMENTS (Note 45)	292,495	255,146
NET INTEREST INCOME	**7,207,969**	**6,159,540**
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	121,495	97,040
Associates	87,491	3,753
Jointly controlled entities	34,004	93,287
FEE AND COMMISSION INCOME (Note 46)	4,669,124	4,056,981
FEE AND COMMISSION EXPENSES (Note 47)	(729,128)	(643,959)
INSURANCE ACTIVITY INCOME (Note 48)	486,923	390,618
Insurance and reinsurance premium income	2,916,831	2,062,030
Reinsurance premiums paid	(63,403)	(71,931)
Benefits paid and other insurance-related expenses	(1,785,514)	(1,704,113)
Reinsurance income	44,228	8,534
Net provisions for insurance contract liabilities	(1,274,283)	(413,744)
Finance income	904,318	708,901
Finance expense	(255,254)	(199,059)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 49)	980,164	761,857
Held for trading	897,484	1,110,551
Other financial instruments at fair value through profit or loss	33,022	1,296
Available-for-sale financial assets	428,560	974,412
Loans and receivables	129,203	13,932
Other	(508,105)	(1,338,334)
EXCHANGE DIFFERENCES (NET)	287,014	297,972
GROSS INCOME	**13,023,561**	**11,120,049**
SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES (Note 50)	576,373	468,236
COST OF SALES (Note 50)	(450,594)	(341,745)
OTHER OPERATING INCOME	134,559	22,306
PERSONNEL EXPENSES (Note 51)	(3,602,242)	(3,247,050)
OTHER ADMINISTRATIVE EXPENSES (Note 52)	(2,160,478)	(1,850,845)
DEPRECIATION AND AMORTISATION	(448,692)	(448,206)
Tangible assets (Note 20)	(361,042)	(363,312)
Intangible assets (Note 21)	(87,650)	(84,894)
OTHER OPERATING EXPENSES	(249,403)	(132,139)
NET OPERATING INCOME	**6,823,084**	**5,590,606**

	Thousands of Euros	
	2005	2004(*)
NET OPERATING INCOME	**6,823,084**	**5,590,606**
IMPAIRMENT LOSSES (NET)	(854,327)	(958,194)
Available-for-sale financial assets	(7,928)	55,856
Loans and receivables	(813,080)	(783,909)
Held-to-maturity investments	(1)	–
Non-current assets held for sale	(33,159)	4,222
Investments	–	(39,508)
Tangible assets	(1,589)	2,135
Goodwill	–	(196,990)
Other intangible assets	–	–
Other assets	–	–
PROVISION EXPENSE (NET)	(454,182)	(850,557)
FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES (Note 53)	2,467	8,737
FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES (Note 53)	(1,826)	(4,712)
OTHER GAINS (Note 54)	284,816	622,180
Gains on disposal of tangible assets	107,838	102,874
Gains on disposal of investments	40,157	317,510
Other	136,821	201,796
OTHER LOSSES (Note 54)	(208,279)	(271,220)
Losses on disposal of tangible assets	(22,477)	(22,450)
Losses on disposal of investments	(11,751)	(9,127)
Other	(174,051)	(239,643)
INCOME BEFORE TAX	**5,591,753**	**4,136,840**
INCOME TAX (Note 35)	(1,521,181)	(1,028,631)
INCOME FROM ORDINARY ACTIVITIES	4,070,572	3,108,209
INCOME FROM DISCONTINUED OPERATIONS (NET)	–	–
CONSOLIDATED INCOME FOR THE YEAR	**4,070,572**	**3,108,209**
INCOME ATTRIBUTED TO MINORITY INTERESTS (Note 29)	(264,147)	(185,613)
INCOME ATTRIBUTED TO THE GROUP	**3,806,425**	**2,922,596**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 58 and Appendixes I to VIII are an integral part of the consolidated income statement for 2005.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Notes 1 to 5)

Thousands of Euros

	2005	2004(*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**1,188,041**	**415,589**
Available-for-sale financial assets	682,651	642,754
Revaluation gains/losses	1,478,792	1,963,264
Amounts transferred to income statement	(428,560)	(974,412)
Income tax	(367,581)	(346,098)
Reclassifications	–	–
Other financial liabilities at fair value	–	–
Revaluation gains/losses	–	–
Amounts transferred to income statement	–	–
Income tax	–	–
Reclassifications	–	–
Cash flow hedges	(77,762)	(38,722)
Revaluation gains/losses	(119,634)	(59,572)
Amounts transferred to income statement	–	–
Amounts transferred to the initial carrying amount of the hedged items	–	–
Income tax	41,872	20,850
Reclassifications	–	–
Hedges of net investments in foreign operations	(726,456)	282,895
Revaluation gains/losses	(1,117,625)	435,223
Amounts transferred to income statement	–	–
Income tax	391,169	(152,328)
Reclassifications	–	–
Exchange differences	1,309,608	(471,338)
Translation gains/losses	2,014,782	(725,135)
Amounts transferred to income statement	–	–
Income tax	(705,174)	253,797
Reclassifications	–	–
Non-current assets held for sale	–	–
Revaluation gains	–	–
Amounts transferred to income statement	–	–
Income tax	–	–
Reclassifications	–	–
CONSOLIDATED INCOME FOR THE YEAR	**4,070,572**	**3,108,209**
Published consolidated income for the year	4,070,572	3,108,209
Adjustments due to changes in accounting policy (*)	–	–
Adjustments made to correct errors (*)	–	–
TOTAL INCOME AND EXPENSES FOR THE YEAR	**5,258,613**	**3,523,798**
Parent	4,994,466	3,338,185
Minority interests	264,147	185,613
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR YEARS	**–**	**–**
Due to changes in accounting policies	–	–
Shareholder's Equity	–	–
Valuation adjustments	–	–
Minority interests	–	–
Due to errors	–	–
Shareholder's Equity	–	–
Valuation adjustments	–	–
Minority interests	–	–

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 58 and Appendixes I to VIII are an integral part of the statement of changes in consolidated equity for the year ended 31 December 2005.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Notes 1 to 5)

Thousands of Euros

	2005	2004(*)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	**4,070,572**	**3,108,209**
Adjustment to profit:	4,354,633	3,251,332
Depreciation of tangible assets (+)	361,042	363,312
Amortisation of intangible assets (+)	87,650	84,894
Impairment losses (net) (+/-)	854,327	958,194
Net provisions for insurance contract liabilities (+/-)	1,274,283	413,744
Provision expense (net) (+/-)	454,182	850,557
Gains/Losses on disposal of tangible assets (+/-)	(85,361)	(80,424)
Gains/Losses on disposal of investments (+/-)	(28,406)	(308,383)
Share of profit or loss of entities accounted for using the equity method (net of dividends) (+/-)	(121,495)	(97,040)
Taxes (+/-)	1,521,181	1,028,631
Other non-monetary items (+/-)	37,230	37,847
Adjusted profit	**8,425,205**	**6,359,541**
Net increase/decrease in operating assets	**(55,959,375)**	**(30,388,985)**
Financial assets held for trading	3,330,819	(10,299,383)
Loans and advances to credit institutions	–	–
Money market operations through counterparties	–	–
Loans and advances to other debtors	–	–
Debt securities	5,893,072	(1,731,181)
Other equity instruments	(554,470)	(3,661,105)
Trading derivatives	(2,007,783)	(4,907,097)
Other financial assets at fair value through profit or loss	(361,763)	(102,013)
Loans and advances to credit institutions	–	–
Money market operations through counterparties	–	–
Loans and advances to other debtors	–	–
Debt securities	(224,145)	(58,771)
Other equity instruments	(137,618)	(43,242)
Available-for-sale financial assets	(4,024,366)	(271,581)
Debt securities	(5,998,254)	2,280,133
Other equity instruments	1,973,888	(2,551,715)
Loans and receivables	(54,290,431)	(21,282,492)
Loans and advances to credit institutions	(10,773,069)	4,206,274
Money market operations through counterparties	241,999	157,998
Loans and advances to other debtors	(46,158,632)	(25,208,703)
Debt securities	3,204,972	710,578
Other financial assets	(805,701)	(1,148,639)
Other operating assets	(613,634)	1,566,484

	Thousands of Euros	
	2005	2004(*)
Net increase/decrease in operating liabilities	**53,544,980**	**27,562,514**
Financial liabilities held for trading	2,136,452	7,786,360
Deposits from credit institutions	–	–
Money market operations through counterparties	–	–
Deposits from other creditors	–	–
Debt certificates (including bonds)	–	–
Trading derivatives	1,059,732	7,918,086
Short positions	1,076,720	(131,726)
Other financial liabilities at fair value through profit or loss	(94,262)	(123,127)
Deposits from credit institutions	–	–
Deposits from other creditors	(94,262)	(123,127)
Debt certificates (including bonds)	–	–
Financial liabilities at fair value through equity	–	–
Deposits from credit institutions	–	–
Deposits from other creditors	–	–
Debt certificates (including bonds)	–	–
Financial liabilities measured at amortised cost	51,218,706	22,047,117
Deposits from central banks	1,031,331	(723,613)
Deposits from credit institutions	1,308,632	5,552,861
Money market operations through counterparties	(634,752)	514,759
Deposits from other creditors	31,823,914	5,315,333
Debt certificates (including bonds)	16,555,131	10,502,918
Other financial liabilities	1,134,450	884,859
Other operating liabilities	284,084	(2,147,836)
Total net cash flows from operating activities (1)	**6,010,810**	**3,533,071**
CASH FLOWS FROM INVESTING ACTIVITIES	**(4,190,926)**	**(2,104,591)**
Investments (-)	**(4,832,207)**	**(3,363,952)**
Group entities, jointly controlled entities and associates	(84,491)	(403,094)
Tangible assets	(1,487,654)	(635,335)
Intangible assets	(1,375,290)	(99,917)
Held-to-maturity investments	(1,884,772)	(2,225,606)
Other financial assets	–	–
Other assets	–	–
Divestments (+)	**641,281**	**1,259,361**
Group entities, jointly controlled entities and associates	10,676	488,339
Tangible assets	509,380	644,861
Intangible assets	121,225	126,161
Held-to-maturity investments	–	–

	Thousands of Euros	
	2005	2004(*)
Other financial assets	–	–
Other assets	–	–
Total net cash flows from investing activities (2)	**(4,190,926)**	**(2,104,591)**
CASH FLOWS FROM FINANCING ACTIVITIES	**(555,819)**	**507,462**
Issuance/Redemption of capital (+/-)	–	1,998,750
Acquisition of own equity instruments (-)	(3,839,510)	(3,220,752)
Disposal of own equity instruments (+)	3,779,037	3,266,937
Issuance/Redemption of non-voting equity units (+/-)	–	–
Issuance/Redemption of other equity instruments (+/-)	–	–
Issuance/Redemption of capital having the nature of a financial liability (+/-)	–	–
Issuance/Redemption of subordinated liabilities (+/-)	1,387,248	1,030,243
Issuance/Redemption of other long-term liabilities (+/-)	–	–
Increase/Decrease in minority interests (+/-)	233,951	(1,179,625)
Dividends/Interest paid (-)	(1,595,222)	(1,349,369)
Other items relating to financing activities (+/-)	(521,323)	(38,722)
Total net cash flows from financing activities (3)	**(555,819)**	**507,462**
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	**929,971**	**77,273**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**2,194,036**	**2,013,215**
Cash or cash equivalents at beginning of year	**10,123,090**	**8,109,875**
Cash or cash equivalents at end of year	**12,317,126**	**10,123,090**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 58 and Appendixes I to VIII are an integral part of the consolidated cash flow statement for the year ended 31 December 2005.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1 and 58), In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

1.1. INTRODUCTION

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The articles of association and other public information on the Bank can be consulted both at its registered office (Plaza San Nicolás, 4, Bilbao) and on its official website, www.bbva.com.

In addition to the operations carried on directly by it, the Bank is the head of a group of subsidiaries, jointly controlled entities and associates that engage in various business activities and which compose, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group ("the Group" or "BBVA Group"). Therefore, the Bank is obliged to prepare, in addition to its own financial statements, the Group's consolidated financial statements.

The Group's consolidated financial statements for 2004 were approved by the shareholders at the Bank's Annual General Meeting on 26 February 2005. The 2005 consolidated financial statements of the Group and the 2005 financial statements of the Bank and of substantially all the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Under Regulation (EC) no, 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards previously adopted by the European Union ("EU-IFRSs"). Therefore, the Group is required to prepare its consolidated financial statements for the year ending 31 December 2005 in conformity with the EU-IFRSs ratified by the European Union at that date.

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004 of 22 December 2004 on Public and Confidential Financial Reporting Rules and Formats.

The BBVA Group's consolidated financial statements of 2005 were prepared by the Bank's directors (at the Board Meeting on 10 February 2006) in accordance with EU-IFRSs, taking into account Bank of Spain Circular 4/2004, and by applying the basis of consolidation, accounting policies and measurement bases described in Note 2, so that they present fairly the Group's equity and financial position at 31 December 2005, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2005. These consolidated financial statements were prepared on the basis of the accounting records kept by the Bank and by each of the other Group companies and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group (Note 2.2).

All accounting policies and measurement bases with a significant effect on the consolidated financial statements were applied in their preparation.

1.3. COMPARATIVE INFORMATION

The consolidated financial statements for the year ended 31 December 2005 are the first to have been prepared in accordance with EU-IFRSs; these standards entail, with respect to the rules in force (Bank of Spain Circular 4/1991) when the Group's consolidated financial statements for 2004 were prepared, significant changes in the accounting policies, measurement bases and presentation of the financial statements making up the annual financial statements. The main effects of the adaptation to EU-IFRSs are explained in Note 3.

The information relating to 2004 contained in these notes to the consolidated financial statements is presented, solely for comparison purposes, with information relating to 2005 and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2004.

1.4. RESPONSIBILITY FOR THE INFORMATION AND FOR THE ESTIMATES MADE

The information in these BBVA Group consolidated financial statements is the responsibility of the Group's directors. In preparing these consolidated financial statements estimates were occasionally made by the Group and the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein, These estimates relate mainly to the following:

- The impairment losses on certain assets.
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 2.2.f).
- The useful life of tangible and intangible assets.
- The measurement of goodwill arising on consolidation (Note 21).
- The fair value of certain unquoted assets.

Although these estimates were made on the basis of the best information available at 31 December 2005 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

1.5. ENVIRONMENTAL IMPACT

At 31 December 2005 the Group's consolidated financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated 8 October 2001.

1.6. DETAIL OF AGENTS OF CREDIT INSTITUTIONS

The detail of agents de BBVA required pursuant to Article 22 of Royal Decree 1245/1995 of 14 July of the Ministry of Economy and Finance is included in the financial statements of the Bank.

1.7. REPORT ON THE ACTIVITY OF THE CUSTOMER CARE DEPARTMENT AND THE CUSTOMER OMBUDSMAN

The report on the activity of the Customer Care Department and the Customer Ombudsman required pursuant to Article 17 of Ministry of Economy and Finance Order ECO/734/2004 of 11 March is included in the management report accompanying these consolidated financial statements.

1.8. MINIMUM CAPITAL

Law 13/1992 of 1 June 1992 and Bank of Spain Circular 5/1993 and subsequent amendments thereto regulate the minimum capital requirements for Spanish credit institutions – both as individual entities and as consolidated groups – and the manner in which these capital requirements are to be calculated.

At 31 December 2005 and 2004 the Group's qualifying capital exceeded the minimum required under the aforementioned legislation.

2. BASIS OF CONSOLIDATION, ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED

2.1. BASIS OF CONSOLIDATION

a) Subsidiaries

The Parent's subsidiaries are included in the BBVA Group consolidated financial statements using the full consolidation method. "Subsidiaries" are defined as entities over which the Group has the capacity to exercise control, Control, taken to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly, of half or of the voting power of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Group control.

In this connection, there are several companies forming part of the BBVA Banco Continental (Peru) Group which, although less than 50% owned by the Group, are fully consolidated because the agreements entered into with the other shareholders give the Group effective control. These companies are Banco Continental, S.A. (parent), Continental Bolsa, S.A.B., Continental, S.A. Sociedad Administradora de Fondos, Continental Sociedad Titulizadora and Inmuebles y Recuperaciones Continental. Similarly, Banco Provincial Overseas, N,V, is fully consolidated due to the ownership of Group of 48% over Inversiones Banpro International Inc. N.V., which owns 100% of this bank.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all material balances and effects of the transactions between consolidated companies were eliminated on consolidation, Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2005 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

The share of third parties in the Group's equity is presented under the heading Minority Interests in the consolidated balance sheet and their share in the profit or loss for the year is presented under the heading Income Attributed to Minority Interests in the consolidated income statement (Note 29).

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end, similarly, the results of subsidiaries

disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Note 4 contains information on the most significant investments and divestments in subsidiaries that took place in 2005 and 2004.

Appendix I includes the salient information on these companies.

b) Jointly controlled entities

"Jointly controlled entities" are defined as entities that are not subsidiaries but which are controlled jointly by two or more unrelated entities; they form part of the definition of "joint ventures", which are deemed to exist when two or more entities ("venturers") are bound by a contractual agreement that establishes joint control.

EU-IFRSs envisage two methods for the recognition of jointly controlled entities: the equity method and the proportionate consolidation method. Under the proportionate consolidation method, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities. The assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of their nature. This method was applied to the following entities: Advera, S.A., Holding de Participaciones Industriales 2000, S.A. and PSA Finance Argentina Compañía Financiera, S.A.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2005 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

Appendix II includes the salient information on these companies.

The Group opted to value its ownership interests, using the equity method, since it considered that this better reflected the financial situation of these holdings; this decision did not have a material economic impact on the margins in the consolidated income statement in 2005 and 2004.

The joint ventures that the Group accounted for using the equity method at 31 December 2005, are listed in Appendix III.

Had these entities been consolidated by the proportionate consolidation method, the Group's total assets at 31 December 2005 and 2004, would have increased by approximately EUR 779,776 thousand and EUR 747,802 thousand, respectively.

At 31 December 2004, in addition to the companies referred to in the preceding paragraph, the joint ventures Azeler Automoción, S.A. and Iniciativas Residenciales en Internet, S.A. were recognised as joint ventures that were accounted for using the equity method (Note 18.2).

c) Associates

"Associates" are defined as entities over which the Group is in a position to exercise significant influence, but not control. Significant influence is presumed to exist when the Group owns directly or indirectly 20% or more of the voting power of the investee.

However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since it is considered that the Group does not have the capacity to exercise significant influence over these entities. The investments in these entities, which do not represent material amounts for the Group, are classified as available-for-sale investments.

Banca Nazionale del Lavoro, S.p.A., the Italian entity in which the Group held a 14.427% ownership interest at 31 December 2005 and a 14.639% ownership interest at 31 December 2004, was considered to be an associate because the Group has the capacity to exercise a significant influence over this entity, basically as a result of the related shareholders' agreement (Note 18.1).

Investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2005 may differ from those used by certain associates, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

Appendix III contains the salient information on the associates.

2.2. ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED

The accounting policies and measurement bases used in preparing these consolidated financial statements were as follows:

a) First-time adoption of International Financial Reporting Standards

IFRS-EU 1 sets forth the criteria that must be adopted when implementing EU-IFRSs for the first time. These criteria are contained in Transitional Provision One of Bank of Spain Circular 4/2004.

In accordance with these standards, companies are required to prepare an opening EU-FRS balance sheet at 1 January 2004.

The accounting policies used in the opening balance sheet may differ from those applied in accordance with the previous accounting rules, and the adjustments resulting from these differences in criteria will, as a general rule, be recognised directly in reserves (retained earnings).

Additionally, IFRS-EU 1 describes the exemptions from the general accounting criteria contained in the EU-IFRSs for the preparation of the opening balance sheet. The main criteria used by the Group in preparing the opening balance sheet are indicated in Note 3 in the section entitled "Main effects of adaptation to International Financial Reporting Standards (IFRSs)".

b) Fair value

The fair value of an asset or a liability on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, independent parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical measurement models sufficiently tried and trusted by the international financial community. Such estimates would take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the measurement models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability thus estimated does not coincide exactly with the price for which the asset or liability could be purchased or sold on the date of its measurement.

c) Financial instruments

c.1) Classification

Financial assets/liabilities held for trading: these include the financial assets and liabilities acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices.

These headings also include financial derivatives not considered to qualify for hedge accounting and, in the case of financial liabilities held for trading, the financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed ("short positions").

Other financial assets and financial liabilities at fair value through profit or loss: the heading Other Financial Assets at Fair Value through Profit or Loss includes the financial assets not held for trading that:

- are hybrid financial assets and contain an embedded derivative whose fair value cannot reliably be determined, or
- are managed jointly with "liabilities under insurance contracts" measured at fair value, with financial derivatives whose purpose and effect is to significantly reduce exposure to changes in fair value, or with financial liabilities and derivatives whose purpose is to significantly reduce overall interest rate risk exposure,

The heading Other Financial Liabilities at Fair Value through Profit or Loss includes the financial liabilities not held for trading that are hybrid financial liabilities and contain an embedded derivative whose fair value cannot be reliably estimated.

Financial instruments involved in this category are permanently subject to an integrated and consistent system of measuring, managing and controlling risks and profit or loss that enables all the financial instruments involved to be monitored and identified and allows the effective reduction of risk to be checked.

These headings include both the investment and customer deposits through unit-linked life insurance policies (in which the policyholder assumes the investment risk).

Available-for-sale financial assets: these include debt securities not classified as held-to-maturity investments or as financial assets at fair value through profit or loss, and equity instruments issued by entities other than subsidiaries, associates and those jointly controlled, provided that such instruments have not been classified as held for trading or as other financial assets at fair value through profit or loss.

Loans and receivables: this heading relates to the financing granted to third parties, classified on the basis of the nature thereof, irrespective of the nature of the borrower and the form of financing granted, and includes finance leases in which consolidated companies act as lessors.

The consolidated companies generally intend to hold the loans and credits granted by them until their final maturity; therefore, they are presented in the consolidated balance sheet at their amortised cost (which includes any corrections required to reflect the estimated losses on their recovery).

Held-to-maturity investments: this heading includes debt securities for which the Group, from inception and at any subsequent date, has the intention to hold until final maturity, since it has the financial capacity to do so.

Financial liabilities at fair value through equity: these include financial liabilities associated with available-for-sale financial assets arising as a result of a transfer of assets in which the transferor neither transfers nor retains substantially all the risks and rewards of ownership of the assets.

Financial liabilities at amortised cost: this heading includes, irrespective of their instrumentation and maturity, the financial liabilities not included in any other heading in the consolidated balance sheet which relate to the typical deposit-taking activities carried on by financial institutions.

Equity having the nature of a financial liability: this heading includes the liabilities issued by the consolidated entities which, although capital for legal purposes, do not meet the requirements for classification as equity. It also includes equity instruments issued by the consolidated entities that do not carry any voting rights.

c.2) Measurement

All financial instruments are initially recognised at fair value which, in the absence of evidence to the contrary, shall be the transaction price. These instruments will subsequently be measured on the basis of their classification. In the case of quoted financial instruments, fair value will be taken to be their market price. For unquoted financial instruments, fair value will be obtained using the valuation techniques customarily used in the market.

Financial assets:

Financial assets are measured at fair value, except for:

- Loans and receivables,
- Held-to-maturity investments, and
- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments.

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest rate method. Amortised cost is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus the systematic amortisation (as reflected in the income statements) of any difference between the initial cost and the maturity amount, In the case of financial assets, amortised cost also includes any value adjustments for impairment.

The effective interest rate is the discount rate that exactly equates the carrying amount of a financial instrument to all its estimated cash flows of all kinds during its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and commissions which, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

Financial liabilities:

Financial liabilities are measured at amortised cost, except for:

- Those included under the headings Financial Liabilities Held for Trading, Financial Liabilities at Fair Value through Profit or Loss and Financial Liabilities at Fair Value through Equity and the financial liabilities designated as hedged items in fair value hedges or as hedging instruments, which are all measured at fair value, and
- Financial derivatives that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments; these derivatives are measured at cost.

c.3) Recognition of changes in the measurement of financial assets and liabilities

Based on the classification of financial instruments, any changes in the carrying amounts of the financial assets and liabilities classified as held for trading and as other financial assets and liabilities though profit or loss are recognised with a balancing entry in the consolidated income statement; A distinction is made between the changes resulting from the accrual of interest and similar items, which are recorded under the headings Interest and Similar Income or Interest Expense and Similar Charges, as appropriate, and those arising for other reasons, which are recorded at their net amount under the heading Gains or Losses on Financial Assets and Liabilities in the consolidated income statement.

Valuation adjustments arising on available-for-sale financial assets are recognised temporarily under the heading Valuation Adjustments - Available-for-Sale Financial Assets, unless they relate to exchange differences, in which case they are recognised temporarily under the heading Valuation Adjustments - Exchange Differences.

Items charged or credited to the headings Valuation Adjustments - Available-for-Sale Financial Assets and Valuation Adjustments - Exchange Differences remain in the Group's consolidated equity until the asset giving rise to them is removed from the consolidated balance sheet, whereupon they are charged or credited to the consolidated income statement.

Valuation adjustments arising on non-current assets held for sale and the liabilities associated with them are recognised with a balancing entry under the heading Valuation Adjustments - Non-Current Assets Held for Sale.

Valuation adjustments arising on financial liabilities at fair value through equity are recognised with a balancing entry under the heading Valuation Adjustments - Financial Liabilities at Fair Value through Equity.

In the specific case of financial instruments designated as hedged items or qualifying for hedge accounting (Note 2.2.e), valuation differences are recognised as follows:

- In fair value hedges, the differences arising on both the hedging instruments and the hedged items – with regard to the type of risk being hedged – are recognised directly in the consolidated income statement.

- In cash flow hedges and hedges of net investments in foreign operations, the valuation differences relating to the ineffective portion of the hedging transaction are recognised directly in the consolidated income statement.

- In cash flow hedges, the valuation differences arising on the effective portion of the hedging instruments are recognised temporarily under the heading Valuation Adjustments - Cash Flow Hedges.

- In hedges of net investments in foreign operations, the valuation differences arising on the effective portion of the hedging instruments are recognised temporarily under the heading Valuation Adjustments - Hedges of Net Investments in Foreign Operations.

In the two last-mentioned cases, the valuation differences are not recognised in profit or loss until the gains or losses of the hedged item are recognised in the income statement or until the date of maturity of the hedged item.

In fair value portfolio hedges of interest rate risk, the gains or losses that arise on measuring the hedging instruments are recognised directly in the consolidated income statement, whereas the gains or losses due to changes in the fair value of the hedged amount are recorded in the consolidated income statement with a balancing entry under the heading Changes in the Fair Value of the Hedged Items in Portfolio Hedges of Interest Rate Risk on the asset or liability side of the balance sheet, as appropriate.

In cash flow portfolio hedges of interest rate risk, the effective portion of the change in value of the hedging instrument is recognised temporarily under the heading Valuation Adjustments - Cash Flow Hedges until the forecast transactions are performed, at which time it is recorded in the consolidated income statement. The ineffective portion of the change in value of hedging derivatives is recognised directly in the consolidated income statement.

C.4) Impairment

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of its impairment – when there is objective evidence that events have ocurred which:

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.

- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known, and the recoveries of previously recognised impairment losses are recognised in the consolidated income statement for the year in which the impairment is reversed or reduced.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the consolidated entities to assure (in part or in full) the performance of transactions; Amounts collected in relation to impaired loans and receivables are used to recognise the related accrued interest and any excess amount is used to reduce the principal not yet repaid.

When the recovery of any recognised amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Debt instruments carried at amortised cost:

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows. However, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the guarantees provided for the instrument (after deducting the costs required for foreclosure and subsequent sale),

- The various types of risk to which each instrument is subject, and

- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual interest rate at the discount date (if it is variable).

The possible impairment losses on these assets are determined:

- Individually, for all significant debt instruments and for those which, although not significant, cannot be classified in homogenous groups of instruments of similar characteristics, i.e. by instrument type, debtor's industry and geographical location, type of guarantee, age of past-due amounts, etc.

- Collectively, in all other cases.

Criteria for determining impairment losses resulting from materialization of the insolvency risk of the obligors have been established. Under these criteria, a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or

- When country risk materialises; country risk is considered to be the risk associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Similarly, different classifications of transactions has been established on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status, type of associated guarantees, and time in arrears for each of these risk groups it establishes the minimum impairment losses ("identified losses") that must be recognised in the financial statements of consolidated entities.

In addition to the recognition of identified losses, it requires provisioning for the losses inherent in debt instruments not measured at fair value through profit or loss and in contingent risks classified as standard, taking into account the historical experience of impairment and the other circumstances known at the time of the assessment. For these purposes, inherent losses are the losses incurred at the date of the financial statements, calculated using statistical procedures, that have not been allocated to specific transactions.

Inherent losses are quantified by applying the parameters established by the Bank of Spain on the basis of its experience and of information on the Spanish banking industry.

Other debt instruments:

The impairment losses on debt securities included in the available-for-sale financial asset portfolio are equal to the positive difference between their acquisition cost (net of any principal repayment) and their fair value after deducting any impairment loss previously recognised in the consolidated income statement.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as Valuation Adjustments - Available-for-Sale Financial Assets and are recognised in the consolidated income statement. If all or part of the impairment losses are subsequently recovered, the amount is recognised in the consolidated income statement for the year in which the recovery occurred.

Similarly, in the case of debt instruments classified as non-current assets held for sale, losses previously recorded in equity are considered to be realised – and are recognised in the consolidated income statement – on the date the instruments are so classified.

Equity instruments measured at fair value:

The criteria for quantifying and recognising impairment losses on these instruments are similar to those for other debt instruments, with the exception that any recovery of these losses recognised is under the heading Valuation Adjustments - Available-for-Sale Financial Assets.

Equity instruments measured at cost:

The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) per the last approved (consolidated) balance sheet, adjusted for the unrealised gains at the measurement date.

Impairment losses are recognised in the consolidated income statement for the year in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of the assets.

d) Recognition of income and expenses

The most significant criteria used by the Group to recognise its income and expenses are summarised as follows:

Interest income and expenses and similar items:

As a general rule, interest income and expenses and similar items are recognised on the basis of their year of accrual using the effective interest method. Specifically, dividends received from other companies are recognised as income when the consolidated companies' right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in a group of instruments that are

impaired because of amounts more than three months past-due, the recognition of accrued interest in the consolidated income statement is interrupted. This interest is recognised for accounting purposes when it is received, as a recovery of the impairment loss.

Commissions, fees and similar items:

Income and expenses relating to commissions and similar fees are recognised in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are:

- Those relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognised when collected.
- Those arising from transactions or services that are provided over a year of time, which are recognised over the life of these transactions or services.
- Those relating to a single act, which are recognised when the single act is carried out.

Non-financial income and expenses:

These are recorded for accounting purposes on an accrual basis.

Deferred collections and payments:

These are recorded for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

Loan arrangement fees and commissions:

The financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees, must be deferred and recognised in the income statement over the life of the loan. The direct costs incurred in arranging these transactions can be deducted from the amount thus recognised.

e) FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

Financial derivatives are instruments that permit the transfer to third parties of all or part of the credit and/or market risks associated with balances and transactions. The underlyings used in these derivatives can be interest rates, specific indices, the prices of certain securities, cross-currency exchange rates or other similar references.

All derivatives are recognised in the balance sheet at fair value from the date of arrangement. If the fair value of a derivative is positive, it is recorded as an asset and if it is negative, it is recorded as a liability. Unless there is evidence to the contrary, it is understood that on the date of arrangement the fair value of the derivatives is equal to the transaction price. Changes in the fair value of derivatives after the date of arrangement are recognised with a balancing entry under the heading Gains or Losses on Financial Assets and Liabilities in the consolidated income statement. Specifically, the fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily quoted price, If, under exceptional circumstances, their quoted price cannot be established on a given date, these derivatives are measured using methods similar to those used to measure over-the-counter ("OTC") derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted at the measurement date ("present value" or "theoretical close"); these derivatives are measured using methods recognised by the financial markets, including the net present value (NPV) method and option price calculation models.

Financial derivatives that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments, are measured at cost.

Hedge accounting

A financial derivative may be considered as qualifying for hedge accounting only if it meets the following three conditions:

– It must hedge one of the following three types of risk:

  - Changes in the value of assets and liabilities due to fluctuations in the interest rate and/or exchange rate to which the position or balance to be covered ("fair value hedge"),
  - Changes in the estimated cash flows arising from financial assets and liabilities and highly probable transactions which an entity plans to carry out ("cash flow hedge"),
  - Net investment in a foreign operation ("hedge of net investments in foreign operations"), which, in practice, is equivalent to a cash flow hedge.

– It must effectively eliminate a significant portion of the risk inherent in the hedged item or position over the expected term of the hedge, which means that:

  - At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").
  - There is sufficient evidence that the hedge was fully effective during the whole life of the hedged item or position ("retrospective effectiveness").

– Lastly, there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain

balances or transactions and the manner in which this hedge is expected to be achieved (provided that this is in line with the Group's management of own risks).

Most of the hedges arranged by the Group are fair value hedges.

Portfolio hedge of interest rate risk

A portfolio hedge of interest rate risk is that which hedges the interest rate risk exposure of a certain amount of financial assets or financial liabilities forming part of the overall financial instrument portfolio, but not the interest rate risk exposure of specific instruments. Portfolio hedges can take the form of fair value or cash flow hedges.

The gains or losses arising from changes in the fair value of the interest rate risk of effectively financial instruments are charged or credited, as appropriate, to the heading Changes in the Fair Value of the Hedged Items in Portfolio Hedges of Interest Rate Risk on the asset or liability side of the consolidated balance sheet.

At 31 December 2005, the Group had no portfolio hedge of interest rate risk operations.

f) PENSION COMMITMENTS AND OTHER COMMITMENTS TO EMPLOYEES

1. Companies in Spain

1.1. Post-employment benefits:

Following is a description of the most significant accounting criteria and the salient data relating to the post-employment benefit commitments of certain Group companies in Spain. These commitments include the undertaking to supplement the public social security benefits in the event of retirement, permanent disability or death; compensation and indemnities payable; and contributions to employee welfare systems for early retirees and post-employment welfare benefits.

1.1.1. Public social security system benefit supplement

Under the collective labour agreement in force, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary rightholders in the event of retirement (except for those hired after 8 March 1980), permanent disability, death of spouse or death of parent.

The employee welfare systems in place at the Group's Spanish banks supersede and improve the terms and conditions of the collective labour agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired on or after 8 March 1980. The Group's Spanish banks externalised all their commitments to serving and retired employees pursuant to Royal Decree 1588/1999 of 15 October. These commitments are instrumented in Pension Plans, insurance contracts with a non-Group company and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.93% owned by the Banco Bilbao Vizcaya Argentaria Group. These employee welfare systems include defined contribution commitments, the amounts of which are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. Defined benefit commitments are funded by insurance contracts and internal Group provisions.

Defined contribution commitments: the current contributions made by the Group's Spanish companies for defined contribution retirement commitments covering substantially all current employees, which are recognised with a charge to the heading Personnel Expenses – Transfers to Pension Plans in the accompanying consolidated income statements, amounted to EUR 38,099 thousand and EUR 42,503 thousand in 2005 and 2004, respectively.

Defined benefit commitments: The Group's Spanish companies have defined benefit commitments for permanent disability and death of current employees and early retirees; for death of certain retired employees; and defined-benefit retirement commitments applicable only to certain groups of serving employees (unvested benefits), or early retired employees (vested benefits) and of retired employees (ongoing benefits).

The present values of the vested obligations are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual)/AA corporate bond yield curve
- Consumer price index: 1.5% (cumulative annual)
- Salary growth rate: at least 2.5% (cumulative annual; depending on employee group)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire

The defined benefit commitments at 31 December 2005 and 2004 were as follows:

	Thousands of Euros	
	2005	2004
Pension commitments to retired employees	3,202,581	3,244,431
Pension contingencies in respect of current employees	240,405	227,307
	3,442,986	3,471,738
Coverage at end of each year:		
Internal provisions	2,816,020	2,826,237
Insurance contracts with unrelated insurance companies	626,966	645,501
Total	3,442,986	3,471,738

The changes in 2005 and 2004 in the present value of the vested obligation for defined benefit commitments covered by the Group's internal provisions were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of the year	2,826,237	3,240,686
+ Interest cost	106,926	112,988
+ Normal cost for the year	19,440	(100)
– Payments made	(145,347)	(135,676)
+/– Other	1,635	(359,041)
+/– Past service cost and actuarial losses (gains).	7,129	(32,620)
Present actuarial value at end of the year	2,816,020	2,826,237

The present actuarial value of the vested obligation for defined benefit commitments covered by insurance contracts with a non-Group company amounted to EUR 626,966 thousand and EUR 645,501 thousand at 31 December 2005 and 2004, respectively.

1.1.2. Early retirements

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the year of early retirement. The commitments relating to this group of employees after they have reached the age of effective retirement are included in the employee welfare system.

In 2005 and 2004, the Group offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labour agreement in force. This offer was accepted by 677 and 1,372 employees, The total cost of these agreements amounts to EUR 286,279 thousand and EUR 571,628 thousand at 31 December 2005 and 2004, respectively (EUR 186,081 thousand and EUR 371,558 thousand, net of the related tax effect, respectively) and the corresponding provisions were recognised with a charge to the heading Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations - Early Retirements in the accompanying consolidated income statement for 2005.

The present values of the vested obligations are quantified on a case-by-case basis. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible and comply with Bank of Spain Circular 4/2004. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual) /AA corporate bond yield curve
- Consumer price index: 1.5% (cumulative annual)
- Retirement ages: those agreed upon contractually for each individual employee, relating to the earliest dates at which the employees are entitled to retire.

The changes in 2005 and 2004 in the present value of the vested obligation for commitments to early retirees in Spain were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of the year	2,656,743	2,461,263
+ Interest cost	94,528	86,904
+ Early retirements in the year	286,279	571,628
– Payments made	(477,197)	(466,413)
+/– Other changes	5,929	(3,068)
+/– Actuarial losses (gains)	16,285	6,429
Present actuarial value at end of the year	2,582,567	2,656,743

1.1.3. Post-employment welfare benefits

Certain Spanish Group companies have welfare benefit commitments the effects of which extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual)/AA corporate bond yield curve
- Consumer price index: 1.5% (cumulative annual)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire.

The detail of these commitments at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Post-employment welfare benefit commitments to retired employees	158,889	155,786
Vested post-employment welfare benefit contingencies in respect of current employees	51,721	48,107
Total	**210,610**	**203,893**
Coverage at end of each year:		
Internal provisions (*)	210,610	203,893

The changes in 2005 and 2004 in the present value of the vested obligation for post-employment welfare benefit commitments were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at the beginning of the year	**203,893**	**202,217**
+ Interest cost	8,227	7,857
+ Normal cost for the year	2,165	2,051
– Payments made	(12,193)	(11,566)
+/– Other movements	(362)	–
+/– Actuarial losses (gains)	8,880	3,334
Present actuarial value at end of the year	**210,610**	**203,893**

1.1.4. Summary

Following is a summary of the charges recorded in the 2005 and 2004 consolidated income statements for the post-employment compensation commitments of Group companies in Spain:

	Thousands of Euros	
	2005	2004
Interest expense and similar charges:		
Interest cost of pension funds	210,999	208,977
Personnel expenses:		
Socials attentions	2,165	2,051
Transfers to pension plans	61,019	44,286
Provision expense (net):		
Transfers to funds for pensions and similar obligations		
Pension funds	33,426	(29,720)
Early retirement	286,279	571,628
Total	**593,888**	**797,222**

At 31 December 2005 and 2004 there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

1.2. Other commitments to employees:

1.2.1. Compensation in kind

Certain Spanish Group companies are obliged to deliver partially or fully subsidised goods and services under the collective labour agreements applicable to them and/or the related corporate agreements. The most significant employee welfare benefits granted by the Group's Spanish banks, in terms of the type of compensation and the event giving rise to the commitment, are loans to employees, life insurance, study aid and long-service bonuses.

The scope of application of these employee welfare benefits varies from one company to another depending on the specific agreements that govern them. They may also be applied differently to employees of the same company, when different agreements are in force for each of the various employee groups.

Long-service bonuses are a form of long-term compensation, entitlement to which is conditional upon the qualifying beneficiary employees remaining in service for a stipulated number of years (15, 25, 40 or 50 years' effective service in the case of share-based bonuses and 45 years' effective service in the case of cash bonuses).

The present values of the vested obligations for long-service cash bonuses and for the gifts relating to long-service share-based

bonuses (the treatment applicable to share-based payment is summarised in section 1.2.2 below) was quantified on a case-by-case basis using the projected unit credit valuation method. The main actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Disability tables: IASS – 90 (reflecting the experience of the Spanish Social Security authorities)
- Assumed interest rate: 4% (cumulative annual) / AA corporate bond yield curve
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire.

The changes in 2005 and 2004 in the present value of the vested obligation for these commitments were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of the year	**31,590**	**30,693**
+ Interest cost	1,318	1,228
+ Normal cost for the year	1,377	1,323
– Payments made	(545)	(735)
– Cash settlements for long-service bonus redemptions due to early retirement	(2,464)	(570)
+/– Actuarial losses (gains)	(1,243)	(349)
Present actuarial value at end of year	**30,033**	**31,590**
Coverage at end of each year:		
Internal provisions	30,033	31,590

Since all other employee welfare benefits for current employees accrue and are settled on a yearly basis, it is not necessary to record a provision in this connection.

The total cost of the employee welfare benefits provided by the Group's Spanish companies to their current employees in the 2005 and 2004 was EUR 29,723 thousand and EUR 34,746 thousand, respectively, and these amounts were recognised with a charge to Personnel Expenses - Other in the accompanying consolidated income statements.

1.2.2. Bank share-based compensation system

In 2005 and 2004 the Bank had no target-based compensation plans involving the delivery of stock options or shares of Banco Bilbao Vizcaya Argentaria, S.A.

However, the Bank is obliged, under the related corporate agreement, to deliver shares of Banco Bilbao Vizcaya Argentaria, S.A. to certain of its employees when they complete a given number of years of effective service:

	Number of Shares
15 years	180
25 years	360
40 years	720
50 years	900

The present values of the vested obligation at 31 December 2005 and 2004, in terms of the probable number of shares, were quantified on a case-by-case basis using the projected unit credit method. The main actuarial assumptions used in quantifying this obligation are summarised as follows:

- Mortality tables: PERM/F 2000 P
- Disability tables: IASS – 90 (reflecting the experience of the Spanish Social Security authorities)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire.

The changes in 2005 and 2004 in the present value of the vested obligation, in terms of the probable number of shares, for share-based long-service bonuses were as follows:

	Number of Shares	
	2005	2004
Present actuarial value at the beginning of the year	**6,658,067**	**6,932,004**
+ Year accrual	399,753	385,661
– Deliveries made	(269,100)	(305,100)
+/– Actuarial losses (gains)	157,747	(354,498)
Present actuarial value at the end of year	**6,946,467**	**6,658,067**

In March 1999, pursuant to a resolution adopted by the Bank's shareholders at the Annual General Meeting on 27 February 1999, 32,871,301 new shares were issued at a price of EUR 2.14 per share (similar to the average reference price of the share-based commitments to Group employees existing at that date which the new shares were assigned to fund), These shares were subscribed and paid by a non-Group company and, simultaneously, the Bank acquired a call option on these shares which can be exercised on any date, at one or

several times, prior to 31 December 2011, at an exercise price equal to the share issue price, adjusted on the basis of the related antidilution clauses. On several occasions since 1999 the call option was partially exercised to meet share-based commitments to Group employees. At 31 December 2004, the Bank still held an option on a total of 4,826,645 shares at a price of EUR 2.09 per share, which were assigned in full to share-based long-service bonuses. In 2005 the option was exercised on a total of 269,100 shares to settle long-service bonuses when they fell due (305,100 shares in 2004).

At 31 December 2005, the Bank still held an option on a total of 4,557,545 shares (4,826,645 shares at 31 December 2004) and, in addition, it had arranged a futures transaction with a non-Group entity on a total of 2,388,922 shares at an exercise price of EUR 15.06 per share (1,831,422 shares at an exercise price of EUR 12.30 per share at 31 December 2004).

The changes in 2005 and 2004 in the related internal provisions, which take into account the present value of the vested obligation, at any given date, in terms of the probable number of shares and the instruments assigned to the commitment, were as follows:

	Thousands of Euros	
	2005	2004
Internal provision at beginning of year	**32,614**	**33,692**
+ Normal cost for the year	5,879	4,389
– Payments relating to partial exercises of the call option (Settlement of long-service bonuses when they fall due)	(562)	(638)
+/– Collections / (Payments) due to quarterly settlements of futures transactions	5,244	1,685
+/– Actuarial losses (gains)	2,375	(6,514)
Internal provision at end of year	**45,550**	**32,614**

In the last quarter of 2005, certain Group companies implemented a corporate programme for its permanent employees to enable them to acquire, at a discount, shares of Banco Bilbao Vizcaya Argentaria, S.A. with a possibility of financing the first phase through a personal loan. The conditions of the first phase of the programme comprise an initial discount of 4% of the employees' initial investment, subject to the shares being held for a period of two years and to the delivery in shares of 3% of the initial investment after three and five years, respectively, if the initially acquired shares are held for that long. The total number of shares acquired as part of this programme amounted to 2.5 million at a market price of EUR 14.68 per share. The unamortized balance of the financing granted to employees amounts to EUR 30,064 thousand at 31 December 2005.

2. Companies abroad

2.1. Pension benefit supplement:

Certain Group companies abroad and part of the Foreign Network of Banco Bilbao Vizcaya Argentaria, S.A., have post-employment benefit commitments to certain current and/or retired employees. The aggregate data, broken down by type of commitment, are as follows:

Defined contribution commitments in group companies abroad: the current contributions made by Group companies abroad for defined contribution commitments to current employees, which amounted to EUR 17,714 thousand and EUR 14,916 thousand in 2005 and 2004, respectively, are recognised with a charge to Personnel Expenses - Transfers to Pension Plans in the accompanying consolidated income statements.

Defined benefit commitments recovered in internal funds: the accrued liability for defined benefit commitments to current and/or retired employees, net, where appropriate, of the specific assets assigned to fund them, amounted to EUR 279,086 thousand and EUR 288,677 thousand at 31 December 2005 and 2004, respectively, and is included under Provisions – Provisions for Pensions and Similar Obligations in the accompanying consolidated balance sheets. Of these amounts, EUR 167,119 thousand and EUR 147,969 thousand relate to BBVA Bancomer, S.A. for the funding of vested commitments for pension supplements, long-service bonuses, and post-retirement medical services and life insurance, and EUR 40,778 thousand and EUR 84,089 thousand relate to BBVA Portugal, S.A. for the funding of vested commitments for pension supplements.

The aforementioned assets assigned to the funding of commitments are the assets that are to be used directly to settle employee benefit obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities.

The present values of the vested obligations of Group companies abroad are quantified on a case-by-case basis, and the projected unit credit valuation method is used for current employees. As a general rule, the actuarial assumptions used are as follows: the discount rate is the AA corporate bond yield curve; the mortality tables are those applicable in each local market when an insurance contract is arranged; and the inflation and salary growth rates are those applicable in each local market. These assumptions should be prudent and mutually compatible.

The main actuarial assumptions used in quantifying the commitments of BBVA Bancomer, S.A. at 31 December 2005 and 2004 are summarised as follows:

- Mortality tables: EMSSA 97
- Discount rate: 9.20% cumulative annual (10.25% cumulative annual at 31 December 2004)
- Consumer price index: 4.00% cumulative annual (5.0% cumulative annual at 31 December 2004)
- Salary growth rate: at least 6.60% cumulative annual, depending on the commitment (7.63% cumulative annual at 31 December 2004)
- Expected rate of return: 9.2% cumulative annual (10.25% cumulative annual at 31 December 2004)

The changes in 2005 and 2004 in the present value of the vested obligations of Bancomer, S.A., in the value of the assets assigned to fund these commitments and in the balances of Provisions – Provisions for Pensions and Similar Obligations relating to Bancomer, S.A. were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of year	478,478	466,516
Value of the assets assigned to funding of commitments	(330,509)	(324,318)
Balance at begining of year	**147,969**	**142,198**
Present actuarial value at end of year	632,783	478,478
Value of assets assigned to funding of commitments	(465,664)	(330,509)
Balance at end of year	**167,119**	**147,969**

	Thousands of Euros	
	2005	2004
Balance at begining of year	**147,969**	**142,198**
+Finance Expenses	47,187	44,814
– Finance Income	(33,326)	(32,753)
+ Normal cost for the year	22,711	16,327
+/– Payments made and other net variations	(36,569)	(12,077)
+/– Exchange differences	29,097	(10,540)
+/– Actuarial losses (gains)	(9,950)	–
Balance at end of year	**167,119**	**147,969**

The main actuarial assumptions used in quantifying the commitments of BBVA Portugal, S.A. at 31 December 2005 and 2004 are summarised as follows:

- Mortality tables: TV 88/90
- Disability tables: 50% EKV 80
- Turnover tables: 50% MSSL for employees hired prior to 1995
- Discount rate: 4.50% (cumulative annual)
- Consumer price index: 2.00% (cumulative annual)
- Salary growth rate: 3.00% (cumulative annual)
- Expected rate of return: 4.50% (cumulative annual)

The changes in 2005 and 2004 in the present value of the vested obligations of BBVA Portugal, S.A., in the value of the assets assigned to fund these commitments and in the balances of Provisions – Provisions for Pensions and Similar Obligations relating to BBVA Portugal, S.A. were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of year	268,415	249,438
Value of the assets assigned to funding of commitments	(184,326)	(175,897)
Balance at beginning of year	**84,089**	**73,541**
Present actuarial value at end of year	262,153	268,415
Value of assets assigned to funding of commitments	(221,375)	(184,326)
Balance at end of year	**40,778**	**84,089**

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**84,089**	**73,541**
+Finance Expenses	8,437	10,458
- Finance Income	(9,930)	(9,334)
+ Normal cost for the year	3,985	14,375
+/- Payments made and other net variations	(48,987)	(10,242)
+/- Actuarial losses (gains)	3,184	5,291
Balance at end of year	**40,778**	**84,089**

2.2. Post-employment welfare benefits:

BBVA Bancomer, S.A.'s accrued liability for defined benefit commitments to current and former employees, net of the specific assets assigned to fund them, amounted to EUR 351,461 thousand and EUR 283,921 thousand at 31 December 2005 and 2004, respectively and is included under the heading Provisions – Provisions for Pensions and Similar Obligations in the accompanying consolidated balance sheets.

The main actuarial assumptions used to quantify the current values of the commitments accrued in connection with the aforementioned agreement, at 31 December 2005 and 2004, are as follows:

- Mortality tables: EMSSA 97
- Discount rate: 9.20% cumulative annual rate at 31 December 2005 (10.25% cumulative annual rate at 31 December 2004).
- Consumer price index: 4.00% cumulative annual rate at 31 December 2005 (5.00% cumulative annual rate at 31 December 2004).
- Rate of inflation for medical services: 6.08% cumulative annual rate at 31 December 2005 (7.10% cumulative annual rate at 31 December 2004).
- Expected rate of return: 9.20% cumulative annual rate at 31 December 2005 (10.25% cumulative annual rate at 31 December 2004).

The changes in 2005 and 2004 were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at beginning of year	324,043	319,885
Value of the assets assigned to funding of commitments	(40,122)	(22,887)
Balance at beginning of year	**283,921**	**296,998**
Present actuarial value at end of year	436,434	324,043
Value of assets assigned to funding of commitments	(84,973)	(40,122)
Balance at end of year	**351,461**	**283,921**

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**283,921**	**296,998**
+Finance Expenses	32,953	30,288
- Finance Income	3,896	(2,692)
+ Normal cost for the year	9,001	1,759
+/- Payments made and other net variations	(40,771)	(22,465)
+/- Actuarial losses (gains)	57,925	(19,967)
+/- Exchange differences	12,328	–
Balance at end of year	**351,461**	**283,921**

2.3. Summary:

The charges recorded in the 2005 and 2004 consolidated income statements for the post-employment benefit commitments of Group companies abroad totalled EUR 110,550 thousand and EUR 82,787 thousand, respectively.

At 31 December 2005 and 2004 there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

3. Termination benefits

Termination benefits must be recognised when the company is committed to severing its contractual relationship with its employees and, to this end, has a formal detailed redundancy plan. There are currently no redundancy plans making it necessary to record a provision in this connection.

g) EXCHANGE DIFFERENCES

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency". Foreign currency balances are translated to euros in two consecutive stages:

- Translation of foreign currency to the functional currency of the entities and branches, and
- Translation to euros of the balances held in the functional currencies of entities whose functional currency is not the euro.

Translation of foreign currency to the functional currency: foreign currency transactions performed by the consolidated entities and their branches are initially recognised in their respective financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, for the purpose of presentation in their separate financial statements, the consolidated entities translate the foreign currency balances to their functional currencies using the average spot exchange rates at year-end.

Entities whose functional currency is not the euro: the balances in the financial statements of consolidated entities whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities: at the average spot exchange rates at 31 December 2005 and 2004.
- Income and expenses and cash flows: at the average exchange rates for 2005 and 2004.
- Equity items: at the historical exchange rates.

The exchange differences arising on the translation of foreign currency balances to the functional currency of the consolidated entities and their branches are generally recorded in the consolidated income statement. Exceptionally, the exchange differences arising on non-monetary items whose fair value is adjusted with a balancing item in equity are recorded under the heading Valuation Adjustments - Exchange Differences.

The exchange differences arising on the translation to euros of balances in the functional currencies of the consolidated entities whose functional currency is not the euro are recorded under the heading Valuation Adjustments - Exchange Differences in the consolidated balance sheet until the item to which they relate is derecognised, at which time they are recorded in the income statement.

The breakdown of the main foreign currency balances in the consolidated balance sheet at 31 December 2005 and 2004, based on the nature of the related items, is as follows:

	Equivalent Value in Thousands of Euros	
2005	**Assets**	**Liabilities**
Cash and balances with Central Banks	9,091,495	–
Financial assets/liabilities held for trading	17,137,145	1,571,117
Available-for-sale financial assets	15,476,934	–
Loans and receivables	66,632,376	–
Investments	63,267	–
Tangible assets	1,680,676	
Financial liabilities at amortised cost	–	118,665,788
Other	7,327,584	7,531,901
Total	**117,409,477**	**127,768,806**

	Equivalent Value in Thousands of Euros	
2004	**Assets**	**Liabilities**
Cash and balances with Central Banks	6,176,800	–
Financial assets/liabilities held for trading	15,637,769	2,329,659
Available-for-sale financial assets	10,587,927	–
Loans and receivables	47,381,972	–
Investments	94,957	–
Tangible assets	1,256,658	–
Financial liabilities at amortised cost	–	91,845,928
Other	5,640,993	4,522,866
Total	**86,777,076**	**98,698,453**

h) Entities and branches located in hyperinflationary economics

None of the functional currencies of the consolidated subsidiaries and associates and their branches located abroad relate to hyperinflationary economies as defined by IFRSs. Accordingly, at 31 December 2005 and 2004 it was not necessary to adjust the financial statements of any of the consolidated subsidiaries or associates to correct for the effect of inflation.

i) Non-current assets held for sale and liabilities associated with non-current assets held for sale

The heading Non-current Assets Held for Sale reflects the carrying amount of the assets – composing a "disposal group" or forming part of a business unit that the Group intends to sell ("discontinued operations") – which will very probably be sold in their current condition within one year from the date of the consolidated financial statements. Therefore, the carrying amount of these assets – which can be financial or non-financial – will foreseeably be recovered through the price obtained on their sale.

Specifically, the assets received by the consolidated entities from their debtors in full or part settlement of the debtors' payment obligations are treated as non-current assets held for sale (foreclosed assets), unless the consolidated entities have decided to make continuing use of these assets.

Symmetrically, the heading Liabilities Associated with Non-current Assets Held for Sale reflects the balances payable arising on disposal groups and discontinued operations.

j) Sales and income from the provision of non-financial services

This heading shows the carrying amount of the sales of assets and income from the services provided by the consolidated Group companies that are not financial institutions. In the case of the Group, these companies are mainly real estate and services companies.

k) INSURANCE AND REINSURANCE CONTRACTS

In accordance with standard accounting practice in the insurance sector, the consolidated insurance entities credit the amounts of the premiums they write and expense the cost of the claims incurred on final settlement thereof, Insurance entities are required to accrue at year-end the amount unearned at that date credited to their income statements and the incurred costs not charged to income.

The most significant accruals recorded by the consolidated entities in relation to direct insurance contracts arranged by them are: unearned premiums, unexpired risks, claims, mathematical reserves, life insurance policies in which the investment risk is borne by the policyholder, and bonuses (profit-sharing) and rebates.

The technical provisions for inward reinsurance are determined using criteria similar to those applied for direct insurance; these provisions are generally calculated on the basis of the information provided by the cedants. The technical provisions for direct insurance and inward reinsurance are presented in the consolidated balance sheet under the heading Liabilities under Insurance Contracts (Note 27).

The technical provisions for reinsurance ceded – which are calculated on the basis of the reinsurance contracts entered into and by applying the same criteria as those used for direct insurance – are presented in the consolidated balance sheet under the heading Reinsurance Assets (Note 19).

Reinsurance assets and Liabilities under insurance contracts -

The heading Reinsurance Assets includes the amounts that the consolidated entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recorded by the consolidated insurance entities.

The heading Liabilities under Insurance Contracts includes the technical reserves recorded by the consolidated entities to cover claims arising from insurance contracts in force at year-end.

The profit or loss reported by the Group's insurance companies on their insurance activities are recorded under the heading Insurance activity income in the consolidated income statement (Note 48).

l) TANGIBLE ASSETS

Non-current tangible assets for own use:

Functional non-current assets, including both tangible assets intended to be held for continuing use received by the consolidated entities in full or part settlement of financial assets representing receivables from third parties and tangible assets acquired under finance leases – are presented at acquisition cost less any accumulated depreciation and, where appropriate, any estimated impairment losses (net carrying amount higher than fair value).

For this purpose, the acquisition cost of foreclosed assets held for own use is equal to the carrying amount of the financial assets delivered in exchange for their foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The year tangible asset depreciation charge is recognised with a balancing entry in the consolidated income statement and is based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual Percentage
Buildings for own use	1,33% to 4%
Furniture	8% to 10%
Fixtures	6% to 12%
Office supplies and computerisation	8% to 25%
Remodelling of rented offices	6%

At each accounting close, the consolidated entities analyse whether there is any internal or external indication that the carrying amounts of their tangible assets exceed the related recoverable amounts. If there is such an indication, the carrying amount of the asset in question is reduced to its recoverable amount and the future depreciation charges are adjusted in proportion to the asset's new remaining useful life and / or to its revised carrying amount.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the consolidated entities recognise the reversal of the impairment loss recorded in prior years and, consequently, adjust the future depreciation charges. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Upkeep and maintenance expenses relating to tangible assets held for own use is charged to the income statement for the year in which they are incurred.

Investments properties and other assets leased out under an operating lease:

The heading Investment Properties in the consolidated balance sheet reflects the net values of the land, buildings and

other structures held either to earn rentals or for capital appreciation.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to record the impairment losses thereon are the same as those described in relation to functional tangible assets.

m) Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities. As a result of a business combination, which is accounted for using the purchase method, the Group obtains control over one or several entities.

The purchase method addresses business combinations from the perspective of the acquirer. The acquirer must recognise the assets acquired and the liabilities and contingent liabilities assumed, including those not previously recognised by the acquiree.

This method involves measuring the cost of the business combination and assigning it, at the date of acquisition, to the identifiable assets, liabilities and contingent liabilities measured at fair value.

In addition, any purchases of minority interests after the date on which the Group obtains control of the acquiree are recorded as equity transactions, i.e. the difference between the price paid and the carrying amount of the percentage of minority interests acquired is charged directly to equity.

n) Intangible assets

Goodwill

The positive differences between the cost of business combinations and the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities of the acquirees are recorded as goodwill on the asset side of the balance sheet, In other words, goodwill represents the future economic benefits from assets that cannot be individually identified and separately recognised. Goodwill is not amortised but is submitted to impairment analysis. Any impaired goodwill is written off.

Goodwill is allocated to one or more cash-generating units expected to benefit from the synergies arising from business combinations. The cash-generating units represent the Group's business and/or geographical segments as managed internally by its directors.

The cash-generating units to which goodwill has been allocated are tested for impairment based on the carrying amount of the unit including the allocated goodwill. Such testing is performed at least annually and whenever there is an indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which goodwill has been allocated, the carrying amount of that unit, adjusted by the theoretical amount of the goodwill attributable to the minority interest, shall be compared with its recoverable amount. The resulting loss shall be apportioned by reducing, firstly, the carrying amount of the goodwill allocated to that unit and, secondly, if there are still impairment losses remaining to be recognised, the carrying amount of the rest of the assets. This shall be done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. It will be taken into account that no impairment of goodwill attributable to the minority interest may be recognised, In any case, impairment losses on goodwill can never be reversed.

Other intangible assets

These assets can have an indefinite useful life – when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the year over which the asset is expected to generate net cash flows for the consolidated entities – or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting year the consolidated entities review the remaining useful lives of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to take the appropriate steps. The Group has not recognised any intangible assets with indefinite useful lives.

Intangible assets with finite lives are amortised over those useful lives using methods similar to those used to depreciate tangible assets.

In both cases the consolidated entities recognise any impairment loss on the carrying amount of these assets with charge to the heading Impairment Losses (Net) - Other Intangible Assets in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for tangible assets.

o) Inventories

Inventories are assets, other than financial instruments, that are held for sale in the ordinary course of business, that are in the process of production, construction or development for such sale, or that are to be consumed in the production process or in the rendering of services. The balance of the heading Other Assets - Inventories in the consolidated balance sheet included the land and other property held for sale in the property development business (Note 23).

Inventories are measured at the lower of cost and net realisable value, which is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories, such as that reflecting damage, obsolescence, and reduction of the sale price, to net realisable value and any other losses is recognised as an expense in the year in which the write-down or loss occurs. Subsequent reversal of any write-down is recognised in the consolidated income statement for the year in which it occurs.

When inventories are sold, the carrying amount of those inventories is derecognised and recorded as an expense in the year in which the related revenue is recognised. The expense is included under the heading Cost of Sales in the accompanying consolidated income statement (Note 50) when it relates to activities that do not form part of the consolidated Group, or under the heading Other Operating Expenses in other cases.

p) Tax assets and liabilities

Spanish corporation tax expense and the expense for similar taxes applicable to the consolidated entities abroad are recognised in the consolidated income statement, except when they result from transactions the gains or losses on which are recognised directly in equity, in which case the related tax effect is also recognised in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the related tax rate to the taxable profit (or tax loss) for the year (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognised in the income statement.

Deferred tax assets and liabilities include temporary differences, measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled.

Deferred tax assets are recognised to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Income and expenses recognised directly in equity are recorded as temporary differences.

q) Financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have.

Financial guarantees are measured at fair value which, on initial recognition and in the absence of evidence to the contrary, is the present value of the cash flows to be received, using an interest rate similar to that of the financial assets granted by the entity with a similar term and risk. Simultaneously, the present value of the future cash flows receivable, calculated using the aforementioned interest rate, is recognised under the heading Other Financial Assets.

Subsequent to initial recognition, contracts are treated as follows:

- The value of contracts recorded under the heading Other Financial Assets is discounted by recording the differences in the consolidated income statement as interest income.
- The fair value of guarantees recorded under the heading Accrued Expenses and Deferred Income - Other on the liability side of the balance sheet is allocated to the consolidated income statement as fee and commission income on a straight-line basis over the expected life of the guarantee, or by another method provided that it more adequately reflects the economic risks and rewards of the guarantee.

r) Leases

Leases are classified as finance leases when they transfer substantially the risks and rewards incidental to ownership of the asset forming the subject matter of the contract.

When the consolidated entities act as the lessor of an asset, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recorded as financing provided to third parties and, therefore, are included under the heading Loans and Receivables in the consolidated balance sheet.

Leases other than finance leases are classified as operating leases, Assets provided under operating leases to Group entities are treated in the consolidated financial statements as assets held for own use and in the individual financial statements of the owner as other assets leased out under an operating lease or as investment property.

s) Provisions and contingent liabilities

Provisions are present obligations arising from legal or contractual requirements, valid expectations created by Group companies in third parties regarding the assumption of certain types of responsibilities, or virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Group cannot avoid.

Provisions are recognised in the balance sheet when each and every one of the following requirements is met: the Group has a present obligation resulting from a past event and, at the

balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations of the entity that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They include the present obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by the occurrence or non-occurrence of, events beyond the control of the entity, Contingent assets are not recognised in the balance sheet or in the income statement; however, they are disclosed in the notes to financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

t) Transfers of financial assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties. If substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognised and, at the same time, any right or obligation retained or created as a result of the transfer is recognised.

If substantially all the risks and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognised and continues to be measured using the same criteria as those used prior to the transfer.

Financial assets are only derecognised when the cash flows they generate have extinguished or when substantially all the risks and rewards incidental to them have been transferred. Similarly, financial liabilities are only derecognised when the obligations they generate have extinguished or when they are acquired (with the intention either settle them or re-sell them).

u) Other equity instruments

The balance of the heading Shareholder's Equity - Treasury Shares in the consolidated balance sheet relates to Bank shares held by certain consolidated companies at 31 December 2005 and 2004. These shares are carried at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading Shareholder's Equity - Other Equity Instruments in the consolidated balance sheet (Note 34).

All the shares of the Bank held by consolidated entities at 31 December 2005 and 2004 represented 0.22% and 0.08%, respectively, of the issued share capital at those dates (the transactions involving treasury shares in the years from 1 January to 31 December 2005 and 2004 are summarised in Note 34).

3. RECONCILIATION OF THE CLOSING BALANCES FOR 2003 AND 2004 TO THE OPENING BALANCES FOR 2004 AND 2005

EU-IFRS 1 requires that the first consolidated financial statements prepared in accordance with EU-IFRSs include a reconciliation of the closing balances for the immediately preceding year to the opening balances for the year to which these financial statements refer.

The reconciliation of the balances in the consolidated balance sheets and consolidated income statements is shown in Appendixes VI, VII and VIII, and the reconciliation adjustments to equity are shown in Appendix IX. The definition of certain terms used therein is as follows:

- 2003 closing: the balances at 31 December 2003 in accordance with the standards in force at that date (Bank of Spain Circular 4/1991).
- 2004 opening: the balances resulting from considering the effect on the closing balances for the preceding year of the adjustments and reclassifications made under the new standards in force since 1 January.
- 2004 closing: the balances at 31 December 2004 in accordance with Bank of Spain Circular 4/1991 in force at that date.
- 2005 opening: the balances at 01 January 2005 resulting from considering the effect on the closing balances for the preceding year of the adjustments and reclassifications made under the new standards in force.
- 2004 re-expressed balances: balances of year 2004 in accordance with new standards.

MAIN EFFECTS OF ADAPTATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

The estimated main effects of adaptation to the new standards are as follows:

a) Basis of consolidation

The entry into force of EU-IFRSs led to a change in the basis of consolidation for certain companies (Note 2.1). The effects of this change were as follows:

- The companies over which the Group exercises control, regardless of their business activity, were fully

consolidated; the greatest economic impact resulting from this change was that relating to insurance companies and real estate companies, and

- Certain investments were considered to be available-for-sale assets, since the Group could not demonstrate that it exercised significant influence over the investees.

b) Goodwill

Under the new standards goodwill is defined as the difference between the cost and the net fair value of the assets, liabilities and contingent liabilities acquired.

The main change is that goodwill is no longer amortised and is tested for impairment at least annually. In addition, goodwill must be stated in local currency, although that arising prior to 1 January 2004 can continue to be expressed in euros. The Group decided to initially recalculate in local currency the goodwill existing at 1 January 2004, the date of transition to EU-IFRSs.

Investments acquired subsequent to the obtainment of control over a company (i.e. transactions involving the purchase of equity interests from minority shareholders) were treated as "equity transactions". The goodwill recorded on the transactions performed after control was obtained were written off against the heading Minority Interests and the surplus amount against the heading Reserves.

c) Financial instruments

In accordance with the new standards, financial assets and liabilities held for trading are measured at fair value through profit or loss. Also, the gains and losses on the available-for-sale securities portfolio are recorded, net of their tax effect, in the equity account Valuation Adjustments.

As regards the classification of equity securities portfolios, under IFRSs significant influence is presumed to exist when an ownership interest of 20% is held in an investee. The Group classified Banca Nazionale del Lavoro, S.p.A. (BNL) as an associate, i.e. a company over which significant influence is exercised, since it considered that, although its equity interest is less than 20% (general criterion), the current shareholders' agreement gives it significant influence over the management of this entity. The entities classified as associates under the previous accounting standards and in which the Group has an ownership interest of less than 20% were reclassified to the available-for-sale portfolio (except for BNL), since it is considered that the Group does not exercise significant influence over them (Note 2.1). Therefore, in accordance with the new standards in force, the goodwill of these entities was derecognised, their accumulated prior years' profits or losses accounted for by the equity method were eliminated from reserves and, in addition, the differences relating from measuring these investments at market value were recorded under the heading Valuation Adjustments.

The recognition, measurement and disclosure criteria included in IASs 32 and 39, were applied retrospectively to 1 January 2004.

1 January 2004 was considered to be the date of application of the rules on the derecognition of financial instruments, Transactions which on or after that date met the recognition and derecognition requirements included in IASs 32 and 39 were removed from the balance sheet (Note 14.3). However, the securitization funds created subsequent to 1 January 2004 through the transfer of derecognised loans, of which the Group retains certain of the risks or rewards, were included in the consolidated financial statements.

d) Loan portfolio provisioning

The BBVA Group estimated the impact of recording the provisions for the loan portfolio using the methods described in Note 2.2.c for estimating the impairment of financial instruments.

e) Loan arrangement fees

As a result of the application of the new accounting treatment for these fees (Note 2.2.d), the BBVA Group estimated the impact of reversing the fees and commissions credited to income in prior years with a charge to equity, using as a balancing entry the item "Accrued Expenses and Deferred Income". With regard to 2004, the portion of these fees and commissions relating to that year were recognised in the income statement.

f) Pensions

Under EU-IFRSs the assumptions used to measure defined benefit pension commitments must be unbiased and mutually compatible, and the market interest rate relating to high quality assets must be used for discounting purposes, IFRSs also stipulate that, for employees subject to Spanish labour legislation, the actuarial assumptions to be used must be based on the applicable Spanish legislation and the actuarial assumptions published by the Directorate-General of Insurance and Pension Funds (DGSFP).

Also noteworthy in this connection is the treatment of the risks insured with Group companies pursuant to Royal Decree 1588/1999 on Externalisation as internal provisions (and their measurement as such) in the consolidated financial statements. The assets assigned are measured independently on the basis of their nature.

As a result of the application of these criteria, the Group reviewed all its actuarial assumptions for existing commitments and funded all the deficits relating to externalised commitments existing at 1 January 2004, the date of transition to EU-IFRSs.

All cumulative actuarial losses at 1 January 2004 were recognised with a charge to reserves.

g) Derivatives

Under EU-IFRSs all derivatives are measured at fair value through profit or loss. Hedging transactions require greater documentation and yearic monitoring of their effectiveness. In fair value hedges, changes in the fair value of the hedged item are recognised in income, and the related carrying amount is adjusted. The BBVA Group's review of the validity of the transactions classified as hedges demonstrated that most of the hedges were highly effective.

The most significant impacts of EU-IFRSs are the recognition in reserves of the unrealised gains existing at the date of transition (1 January 2004) and the recognition in profit or loss of the changes in the unrealised gains or losses for the year.

In the case of transactions that were designated as subject to hedge accounting at 1 January 2004 but which did not comply with the conditions of IAS 39 to be so designated, hedge accounting was discontinued. Net positions designated as hedged items under the previous standards and rules were replaced as hedged items at 1 January 2004 by an amount of assets or liabilities of the net positions.

Transactions initiated before 1 January 2004 were not designated as hedges retrospectively.

h) Preference shares

Preference shares that do not comply with Rule Fifty-Four of Bank of Spain Circular 4/2004 are classified under the heading Equity Having the Nature of a Financial Liability on the liability side of the balance sheet.

This reclassification has no effect on the calculation of eligible equity for the purposes of Bank of Spain Circular 5/1993, since these preference shares are still included in tier-one capital.

i) Tangible assets

In the case of tangible assets, the Group used as attributed cost on the revaluation date the amounts revalued prior to 1 January 2004, on the basis of the legislation then in force. In this connection, the revaluations performed under Spanish law and the adjustments for inflation made by subsidiaries in countries with inflation accounting were considered to be valid.

Also, certain tangible asset items were recognised at fair value and, therefore, this value was used as attributed cost at 1 January 2004.

j) Equity-instrument-based employee compensation

As permitted by IFRS 1 and Transitional Provision One of Bank of Spain Circular 4/2004, IFRS 2 were not applied to the equity instruments granted to employees before 7 November 2002 title to which had not yet passed to these employees on 1 January 2005.

k) Cumulative exchange differences

The cumulative exchange differences at 1 January 2004 of all businesses abroad were definitively charged or credited to reserves. Consequently, the exchange gains or losses arising on the subsequent sale or disposal by other means of businesses abroad relate only to the exchange differences that arose after 1 January 2004.

l) Transactions involving own equity instruments

The gains or losses obtained on transactions involving treasury shares are recognised as changes in equity and these shares continue to be carried at their acquisition cost. Under the previous accounting standards, these gains or losses were recognised in the income statement.

4. BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) is the Group's parent company. Its individual financial statements are prepared on the basis of the accounting policies and methods contained in Bank of Spain Circular 4/2004.

The Bank represented approximately 63.01% of the Group's assets and 26.60% of consolidated profit before tax at 31 December 2005 (63.47% and 21.2%, respectively, at 31 December 2004), after the related consolidation adjustments and eliminations.

Summarised below are the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. at 31 December 2005 and 2004:

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004 (SUMMARIZED)

	Thousands of Euros	
ASSETS	2005	2004(*)
CASH AND BALANCES WITH CENTRAL BANKS	2,707,634	3,584,389
FINANCIAL ASSETS HELD FOR TRADING	31,223,865	33,786,124
AVAILABLE-FOR-SALE FINANCIAL ASSETS	32,895,371	27,320,242
LOANS AND RECEIVABLES	183,250,928	149,381,995
HELD-TO-MATURITY INVESTMENTS	3,959,264	2,221,502
HEDGING DERIVATIVES	2,505,102	4,033,289
NON-CURRENT ASSETS HELD FOR SALE	29,722	51,919
INVESTMENTS	13,296,918	12,068,994
INSURANCE CONTRACTS LINKED TO PENSIONS	2,089,985	2,097,376
TANGIBLE ASSETS	2,060,765	2,034,013
INTANGIBLE ASSETS	51,920	37,316
TAX ASSETS	3,939,982	3,308,695
PREPAYMENTS AND ACCRUED INCOME	512,377	310,954
OTHER ASSETS	616,788	426,173
TOTAL ASSETS	279,140,621	240,662,981

	Thousands of Euros	
TOTAL LIABILITIES AND EQUITY	2005	2004(*)
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING	14,579,963	11,735,827
FINANCIAL LIABILITIES AT AMORTISED COST	242,037,543	206,918,252
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	–	183,201
HEDGING DERIVATIVES	947,007	2,317,121
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	–	–
PROVISIONS	6,376,428	6,292,468
TAX LIABILITIES	1,579,989	786,274
ACCRUED EXPENSES AND DEFERRED INCOME	762,477	718,074
OTHER LIABILITIES	7,004	1,262
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY	–	–
TOTAL LIABILITIES	266,290,411	228,952,479
EQUITY		
VALUATION ADJUSTMENTS	1,809,782	933,037
SHAREHOLDERS' EQUITY	11,040,428	10,777,465
Capital	1,661,518	1,661,518
Share premium	6,658,390	6,682,603
Reserves	2,001,854	1,877,718
Other equity instruments	141	–
Less: Treasury shares	(29,773)	(8,500)
Profit attributed to the Group	1,918,142	1,581,382
Less: Dividends and remuneration	(1,169,844)	(1,017,256)
TOTAL EQUITY	12,850,210	11,710,502
TOTAL EQUITY AND LIABILITIES	279,140,621	240,662,981

(*) Presented for comparison purposes only.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (SUMMARIZED)

	Thousands of Euros	
	2005	2004(*)
INTEREST AND SIMINTEREST AND SIMILAR INCOME	7,169,319	6,382,852
INTEREST EXPENSE AND SIMILAR CHARGES	(4,473,854)	(3,701,087)
INCOME FROM EQUITY INSTRUMENTS	1,056,912	1,091,478
NET INTEREST INCOME	**3,752,377**	**3,773,243**
FEE AND COMMISSION INCOME	1,928,985	1,689,587
FEE AND COMMISSION EXPENSES	(330,718)	(326,743)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	529,671	189,643
EXCHANGE DIFFERENCES (NET)	132,573	205,341
GROSS INCOME	**6,012,888**	**5,531,071**
OTHER OPERATING INCOME	80,690	80,326
PERSONNEL EXPENSES	(2,014,427)	(1,938,901)
OTHER ADMINISTRATIVE EXPENSES	(804,027)	(757,170)
DEPRECIATION AND AMORTISATION	(196,843)	(207,526)
OTHER OPERATING EXPENSES	(62,807)	(56,649)
NET OPERATING INCOME	**3,015,654**	**2,651,151**
IMPAIRMENT LOSSES (NET)	(441,825)	(601,981)
PROVISION EXPENSE (NET)	(378,539)	(670,962)
OTHER GAINS	107,872	448,368
OTHER LOSSES	(34,985)	(2,472)
INCOME BEFORE TAX	**2,268,177**	**1,824,104**
INCOME TAX	(350,035)	(242,722)
INCOME FROM ORDINARY ACTIVITIES	**1,918,142**	**1,581,382**
INCOME FROM DISCONTINUED OPERATIONS (NET)	–	–
INCOME FOR THE YEAR	**1,918,142**	**1,581,382**

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (SUMMARIZED)

	Thousands of Euros	
	2005	2004(*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**876,745**	**291,582**
Available-for-sale financial assets	992,180	279,767
Financial liabilities at fair value through equity	–	–
Cash flow hedges	(65,607)	–
Hedges of net investments in foreign operations	–	–
Exchange differences	(49,828)	11,814
Non-current assets held for sale	–	–
INCOME FOR THE YEAR	**1,918,142**	**1,581,382**
TOTAL INCOME AND EXPENSES FOR THE YEAR	**2,794,887**	**1,872,963**

(*) Presented for comparison purposes only.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (SUMMARIZED)

	Thousands of Euros	
	2005	2004(*)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year	1,918,142	1,581,382
Adjustment to profit:	1,414,257	1,445,596
Adjusted profit	3,332,399	3,026,978
Net increase/decrease in operating assets	(35,678,851)	(19,824,845)
Financial assets held for trading	2,562,259	(4,127,044)
Other financial assets at fair value through profit or loss	–	–
Available-for-sale financial assets	(4,130,001)	1,676,829
Loans and receivables	(34,133,846)	(18,220,954)
Other operating assets	22,737	846,324
Net increase/decrease in operating liabilities	35,212,225	22,358,151
Financial liabilities held for trading	2,977,579	833,528
Other financial liabilities at fair value through profit or loss	–	–
Financial liabilities at fair value through equity		
Financial liabilities measured at amortised cost	33,800,306	21,123,621
Other operating liabilities	(1,565,660)	401,002
Total net cash flows from operating activities (1)	**2,865,773**	**5,560,284**
CASH FLOWS FROM INVESTING ACTIVITIES	**–**	**–**
Investments (-)	2,982,316	6,613,831
Divestments (+)	266,755	752,289
Total net cash flows from investing activities (2)	**(2,715,561)**	**(5,861,542)**
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,017,990)**	**1,469,026**
Issuance/Redemption of capital (+/-)	–	1,998,750
Acquisition of own equity instruments (-)	2,619,475	2,228,215
Disposal of own equity instruments (+)	2,615,499	2,280,902
Issuance/Redemption of non-voting equity units (+/-)	–	–
Issuance/Redemption of other equity instruments (+/-)	141	–
Issuance/Redemption of capital having the nature of a financial liability (+/-)	–	–
Issuance/Redemption of subordinated liabilities (+/-)	701,763	784,458
Issuance/Redemption of other long-term liabilities (+/-)	–	–
Dividends/Interest paid (-)	1,600,483	1,352,353
Other items relating to financing activities (+/-)	(115,435)	(14,516)
Total net cash flows from financing activities (3)	**(1,017,990)**	**1,469,026**
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	**(1,623)**	**573**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(869,401)**	**1,168,341**
Cash or cash equivalents at beginning of year	**3,576,883**	**2,408,542**
Cash or cash equivalents at end of year	**2,707,482**	**3,576,883**

(*) Presented for comparison purposes only.

The total assets and finance income of the Group's most significant subsidiaries at 31 December 2005 and 2004 are as follows:

Thousands of Euros

		2005		2004	
	COUNTRY	Total Assets	Finance Income	Total Assets	Finance Income
BBVA Bancomer Group	Mexico	59,219,806	5,495,088	47,641,124	3,498,240
BBVA Chile Group	Chile	6,468,472	486,809	5,040,878	323,876
BBVA Puerto Rico	Puerto Rico	5,852,238	258,016	3,977,188	196,720
BBVA Banco Francés Group	Argentina	4,273,340	398,241	3,436,801	285,231
BBVA Banco Provincial Group	Venezuela	5,133,080	454,128	3,620,137	393,699
BVA Continental Group	Peru	4,555,641	251,337	3,133,771	174,526
BBVA Colombia Group	Colombia	4,740,948	290,508	2,331,336	220,608

Appendix V includes a detail of the fully consolidated subsidiaries which, based on the information available, were more than 5% owned by non-Group shareholders at 31 December 2005.

At 31 December 2005 and 2004, certain foreign non-BBVA Group credit institutions held significant ownership interests in the following fully consolidated companies:

2005

- A.F.P. Provida (a Bank of New York investee as a depositary in ADR's programme)

2004

- A.F.P. Horizonte Colombia (a Granahorrar investee)
- A.F.P. Provida (a Bank of New York investee as a depositary in ADR's programme)

The changes in the ownership interests held by the Group in the most significant subsidiaries and the situation of these interests at 31 December 2005 were as follows:

BBVA-BANCOMER GROUP (MEXICO)-

Grupo Financiero BBV-Probursa, S.A. de C.V. and the companies in its group, including most notably Banco Bilbao Vizcaya México, S.A., joined the Group in July 1995, In the first half of 2000, it was resolved to merge Grupo Financiero BBV-Probursa, S.A. de C.V. into Grupo Financiero BBVA Bancomer, S.A. de C.V. Following this merger, which was carried out in July 2000, the Group's ownership interest in Grupo Financiero BBVA Bancomer, S.A. de C.V. was 36.6%.

In the year from 2001 to 2003, the Group acquired various holdings in the share capital of Grupo Financiero BBVA Bancomer, S.A. de C.V., as a result of which its ownership interest was 59.43% at 31 December 2003.

On 20 March 2004, the BBVA Group completed the tender offer on 40.6% of the share capital of Grupo Financiero BBVA Bancomer, S.A. de C.V. The final number of shares presented in the offer and accepted by BBVA was 3,660,295,210, which represented 39.45% of the share capital of the Mexican entity, Following the acquisition of these shares through the tender offer, the ownership interest held by BBVA in the capital of Grupo Financiero BBVA Bancomer, S.A. de C.V. was 98.88%, which, as a result of the purchase of shares subsisting in the market, increased to 99.70% at 31 December 2004.

At 31 December 2005, following the purchase of shares subsisting in the market, BBVA held an ownership interest of 99.96% in the share capital of Grupo BBVA Financiero Bancomer, S.A.

BBVA BANCO FRANCÉS (ARGENTINA)-

In December 1996, the Group acquired 30% of BBVA Banco Francés, S.A. (formerly Banco Francés Río de la Plata, S.A.) and assumed its management. Further acquisitions and a capital increase prior to 31 December 2003 brought the Group's ownership interest to 79.6% at that date.

On 21 January 2004, BBVA Banco Francés, S.A. presented the new formulation of the regularization and reorganization plan (which had begun in 2002) requested by the Argentine authorities. The new plan envisaged, mainly, the sale of this company's subsidiary BBVA Banco Francés (Cayman) Ltd. to BBVA, S.A., which was carried out on 18 March 2004, and the conversion into equity of a USD 78 million loan granted by BBVA, S.A. to BBVA Banco Francés, S.A.

In compliance with the commitment thus assumed, on 22 April 2004, the Annual General Meeting of BBVA Banco Francés, S.A. authorized a capital increase with a par value of ARP 385 million, which was carried out in October 2004, BBVA subscribed to the capital increase at BBVA Banco Francés, S.A. through the conversion into equity of a USD 78 million loan it had granted to this investee. On 23 February 2005, the

Superintendant of Financial and Exchange Institutions considered that the regularization and reorganization plan had been completed.

At 31 December 2004 and 2005, the ownership interest held in this company was 76.14% and 76.08%, respectively.

CONSOLIDAR GROUP (ARGENTINA)-

The Consolidar Group joined the Group in October 1997, when a 63.33% ownership interest was reached through BBVA Banco Francés.

At 31 December 2004 and 2005, the Group held ownership interests of 53.89%, 65.96% and 66.67% in Consolidar Administradora de Fondos de Jubilación y Pensiones (AFJP), S.A., Consolidar Cía. de Seguros de Vida, S.A. and Consolidar Seguros de Retiro, S.A., respectively, through Banco Francés.

BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO, S.A.-

In July 1998 BBV Puerto Rico absorbed PonceBank, an entity with total assets of USD 1,095 million, through a capital increase of USD 166 million. Also in 1998, BBV Puerto Rico acquired the assets and liabilities of Chase Manhattan Bank in Puerto Rico for a disbursement of USD 50 million.

At 31 December 2004 and 2005, the ownership interest held in this company was 100%.

BBVA CHILE GROUP-

In September 1998, the Group acquired a 44% holding in Banco BHIF, S.A., currently BBVA Chile, S.A., and assumed the management of the group headed by this Chilean financial institution. In 1999 additional shares were acquired, bringing the Group's total holding in this entity to 53.3% at 31 December 1999.

At 31 December 2004, the ownership interest held in BBVA Chile, S.A. was 66.27%, and additional acquisitions of capital in 2005 brought this figure up to 66.62%.

A.F.P. PROVIDA, S.A. (CHILE)-

On 1 July 1999, the Group acquired a 41.17% holding in, and assumed the management of, Administradora de Fondos de Pensiones Provida, S.A. Subsequent investments brought the holding to 64.32% in December 2004.

The ownership interest held by the Group at 31 December 2005 was 64.32%.

BBVA BANCO PROVINCIAL GROUP (VENEZUELA)-

In March 1997, the Group acquired 40% of the share capital of Banco Provincial, S.A. and higher-percentage holdings in the other Provincial Group companies; consequently, it assumed the management of this group. Further acquisitions made in subsequent years raised the Bank's holding in the Provincial Group to 55.60% at 31 December 2004 and 2005.

BBVA BANCO CONTINENTAL GROUP (PERU)-

In April 1995, the Group acquired 75% of the share capital of Banco Continental, S.A. through Holding Continental, S.A. (50%-owned by the Group) and assumed the management of the financial group headed by Banco Continental, S.A. Subsequently, in 2004 Holding Continental, S.A. increased its ownership interest in Banco Continental, S.A. to 92.04%, and this percentage remained unchanged in 2005.

BBVA COLOMBIA GROUP-

In August 1996, the Group acquired 40% of the ordinary shares (equal to 35.1% of the total share capital) of Banco Ganadero, S.A. (currently BBVA Colombia, S.A.). Subsequently, additional holdings were acquired, bringing the ownership interest to 95.37% at 31 December 2003.

At 31 December 2005 and 2004, the ownership interest held by the Group was 95.37%.

CHANGES IN THE GROUP IN 2005-

The most noteworthy acquisitions of subsidiaries in 2005 were as follows:

- On 6 January, pursuant to the agreement entered into in September 2004 and after obtaining the mandatory authorisations, the Group, through BBVA Bancomer, acquired all the shares of Hipotecaria Nacional, S.A. de C.V., a Mexican company specialising in the mortgage business. The price paid was MXP 4,121 million (approximately EUR 276,048 thousands) and the goodwill recognised amounted to EUR 259,111 thousands at 31 December 2005.

- On 28 April, pursuant to the agreement entered into on 20 September 2004 and after obtaining the mandatory authorisations, BBVA, S.A. acquired all the shares of Laredo National Bancshares, Inc., a bank holding located in Texas (United States) which operates in the banking business through two independent banks: Laredo National Bank and South Texas National Bank. The price paid was USD 859.6 million (approximately EUR 666,110 thousands) and the goodwill recognised amounted to EUR 473,941 thousands at 31 December 2005.

- On 31 October 2005, the Guarantee Fund for Colombian Financial Institutions, FOGAFIN, sold by public auction 98.78% of the share capital of

Banco Granahorrar, S.A. (a Colombian financial institution) to the BBVA Group's subsidiary in Colombia, BBVA Colombia, S.A. The financial offer made by BBVA Colombia for the acquisition of Banco Granahorrar, S.A. totalled USD 423.66 million, This transaction was performed in December 2005 after authorisation had been obtained from the related supervisory and control bodies. The price paid was MXP 981,572.2 million, approximately EUR 364,163 thousands, and the goodwill recognised amounted to EUR 266,862 thousands at 31 December 2005.

CHANGES IN THE GROUP IN 2004-

The most noteworthy transactions in 2004 were as follows:

- On 31 March 2004, Finanzia Renting, S.A. was merged into BBVA Renting, S.A., effective for accounting purposes from 1 January 2004. These two companies were wholly-owned investees of BBVA.

- On 21 July 2004, the deed was executed for the merger of Corporación Área Inmobiliaria, S.L. into BBVA Área Inmobiliaria, S.L. through the transfer en bloc of the assets and liabilities of the former to the latter, and the dissolution of the former. On this same date the deed was executed whereby BBVA Área Inmobiliaria, S.L. changed its name to Anida Grupo Inmobiliario, S.L.

- On 8 October 2004, the Group completed the purchase of all the shares of Valley Bank, an entity located in California, for USD 16.7 million.This was BBVA's first commercial banking transaction in mainland USA.

- On 12 October 2004, the Group sold the El Salvador welfare business comprising BBVA Crecer AFP and BBVA Seguros, S.A. – Seguros de Personas – in which BBVA had ownership interests of 62% and 51%, respectively, for USD 42.8 million (EUR 34.76 million), giving rise to a gain of EUR 12.3 million.

5. DISTRIBUTION OF PROFIT

In 2005 the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2005 profit, amounting to a total of EUR 0.345 gross per share. The aggregate amount of the interim dividends declared at 31 December 2005, net of the amount collected and to be collected by the consolidable Group companies, was EUR 1,166,644 thousand and is recorded under Dividends and Remuneration in the related consolidated balance sheet (Note 23). The last of the aforementioned interim dividends, which amounted to EUR 0.115 gross per share and was paid to the shareholders on 10 January 2006, was recorded under the heading Financial Liabilities at Amortised Cost – Other Financial Liabilities in the consolidated balance sheet at 31 December 2005 (Note 26).

The provisional accounting statements prepared in 2005 by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividends were as follows:

	Thousands of Euros		
	31/05/05 Dividend 1	31/08/05 Dividend 2	30/11/05 Dividend 3
Interim dividend-			
Profit at each of the dates indicated, after the provision for income tax	502,337	1,156,526	1,630,026
Less-			
Interim dividends paid	–	(389,948)	(779,896)
Maximum amount distributable	**502,337**	**766,578**	**850,130**
Amount of proposed interim dividend	**389,948**	**389,948**	**389,948**

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of EUR 0.0186 per share be paid out of 2005 income, Based on the number of shares representing the share capital at 31 December 2005 (Note 32), the final dividend would amount to EUR 630,698 thousand and profit would be distributed as follows:

	Thousands of Euros
Net profit for 2005 (Note 4)	**1,918,142**
Distribution:	
Dividends	
– Interim	1,166,844
– Final	630,698
To voluntary reserves	117,600

6. EARNINGS PER SHARE

Basic earnings per share are determined by dividing net profit or losses attributable to the Group in a given year by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held.

Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share; however,

the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt instruments outstanding at year-end.

The "diluted number" of shares linked to warrants outstanding at year-end is determined in two stages: firstly, the hypothetical liquid amount that would be received on the exercise of these warrants is divided by the annual average price of the share and, secondly, the difference between the amount thus quantified and the present number of potential shares is calculated; this represents the theoretical number of shares issued disregarding the dilutive effect. Profit or loss for the year is not adjusted.

Therefore:

	Thousands of Euros	
	2005	2004
Net profit for the year (thousands of euros)	3,806,425	2,922,596
Weighted average number of shares outstanding (millions of shares)	3,384	3,369
Basic earnings per share (euros)	**1,12**	**0,87**
Diluted earnings per share (euros)	**1,12**	**0,87**

7. BASIS AND METHODOLOGY FOR SEGMENT REPORTING

Segment information is a fundamental tool for monitoring and managing the Group's various businesses. Preparation of this information starts at the lowest-level units, and all the accounting data relating to the business managed by these units are recorded. Subsequently, on the basis of its established organisational structure, the Group classifies and combines the units to form the various segments. Also, the legal-entity companies composing the Group are assigned to the various businesses. If the diversity of a given company's business so requires, its activity and results are assigned to various units.

After defining the composition of each business segment, the Group applies the management adjustments inherent to the model. The most significant adjustments are as follows:

- Equity: the Group allocates economic capital commensurate with the risks incurred by each business and assesses capital requirements in respect of credit, market and operational risk. Initially, it quantifies the amount of shreholders' (capital and reserves) attributable to the risks relating to each segment. This amount is used as a basis to determine the return on equity (ROE) of each business. Subsequently, the Group assigns all other eligible funds (eligible subordinated debt and preference shares) issued by the Group, and the costs associated thereto, to each segment. In the Americas business area (except for Argentina and International Private Banking, which apply this method), the Bank assigns as capital the underlying carrying amount of the ownership interest held by the BBVA Group and records the amounts relating to minority interests under Eligible Capital – Other.

- Inter-segment transfer pricing: the rates used to calculate the margins of each business are adjusted to the maturities and interest-rate review years of the various assets and liabilities composing each unit's balance sheet.

- Assignment of operating expenses: in line with the new accounting standards, BBVA has perfected its expense allocation procedures. Direct and indirect expenses are attributed to the various segments, except for those not closely and specifically related to the segment's business, i.e. expenses that are of a distinctly corporate or institutional nature for the Group as a whole.

The primary basis of segment reporting relates to the Group's business segments: Retail Banking Spain and Portugal, Wholesale and Investment Banking and Business in the Americas, which relate to the Group's highest level of management.

The Corporate Activities area handles the Group's general management functions. These consist basically of managing BBVA's structural interest and exchange rate positions, liquidity and own funds. This area also includes the unit responsible for managing the industrial portfolio and investments.

The secondary basis of segment reporting relates to geographical segments. Information is prepared for the Group companies located in the Americas, detailing the banking, pension and insurance activities carried on in each of the countries.

Accordingly, the current composition of the Group's main business segments is as follows:

- Retail Banking Spain and Portugal: this segment includes the retail, asset management and private banking businesses conducted by the Group in Spain and Portugal. Therefore, it combines the individual-customer and SME segments in the domestic market, the Finanzia/Uno-e Group (which engages in e-banking, consumer finance, card distribution and renting activities), the Private Banking business, the pension and mutual fund managers, the insurance business and BBVA Portugal. This Area also includes the Depositary Unit that in 2004 was in Investment Banking.

- Wholesale and Investment Banking: this segment encompasses the (domestic and international) corporate banking business and institutional banking business carried on by the Group with large enterprises and institutions. It also includes the cash room businesses located in Spain, Europe and New York, the equity

securities distribution and origination business, securities custody services, and the business and real estate project activities not conducted through equity interests held by the Group in large corporations.

– The Americas: this segment comprises the activity and results of the Group's banks in the Americas and of their investees, including pension fund managers and insurance companies, as well as the International Private Banking business.

This segmentation is based on the current internal organisational structure established by the BBVA Group for the management and monitoring of its business activities in 2005. On 20 December 2005 the Board of Directors approved a new organisational structure for the BBVA Group.

The detail of the contribution to attributed income of each of the aforementioned segments, and of their efficiency ratios and ROEs for the year from 1 January to 31 December 2005 is as follows:

BUSINESS SEGMENTS 2005	Total Assets (Thousands of Euros)	% Total Assets/ Group Assets	Attrib. Income (Thousands of Euros)	% Attrib, Income/Group Profit	Effic. Ratio Incl, Amortisation/ Depreciation	Effic. Ratio Excl, Amortisation/ Depreciation	% ROE
Retail Banking Spain and Portugal	145,722,691	37.14%	1,613,578	42.4%	43.3%	41.4%	32.1%
Wholesale and Investment Banking	164,730,390	41.98%	591,811	15.5%	29.7%	29.2%	25.9%
The Americas	104,711,649	26.69%	1,819,565	47.8%	46.4%	42.9%	33.8%
Corporate Activities	35,903,646	9.15%	(218,529)	(5.7%)	–	–	–
Inter-segment positions[1]	(58,678,882)	(14.96)%	–	–	–	–	–
Total	**392,389,494**	**100.0%**	**3,806,425**	**100.0%**	**46.7%**	**43.2%**	**37.0%**

BUSINESS SEGMENTS 2004	Total Assets (Thousands of Euros)	% Total Assets/Group Assets	Attrib. Income (Thousands of Euros)	% Attrib. Income/Group Profit	Effic. Ratio Incl, Amortisation/ Depreciation	Effic. Ratio Excl, Amortisation/ Depreciation	% ROE
Retail Banking Spain and Portugal	127,347,238	38.66%	1,426,517	48.8%	45.6%	43.4%	32.5%
Wholesale and Investment Banking	147,280,601	44.71%	403,739	13.8%	33.2%	32.5%	17.7%
The Americas	74,845,022	22.72%	1,194,821	40.9%	48.7%	44.2%	26.1%
Corporate Activities	20,266,295	6.15%	(102,439)	(3.5%)	–	–	–
Inter-segment positions [1]	(40,298,000)	(12.23)%	–	–	–	–	–
Total	**329,441,156**	**100.0%**	**2,922,638**	**100.0%**	**48.6%**	**44.6%**	**33.0%**

(1) The negative amount recorded under Inter-Segment Positions contains crossed positions between the various business segments.

8. REMUNERATION OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION AND OTHER BENEFITS PAID TO DIRECTORS AND TO MEMBERS OF THE MANAGEMENT COMMITTEE

• REMUNERATION OF NON-EXECUTIVE DIRECTORS

The detail, by item, of the remuneration paid to the non-executive members of the Board of Directors in 2005 is as follows:

Thousands of Euros

	Board	Standing Committee	Audit	Appoinments and Compensation	Risk	Committee Chairmanship	Total
Juan Carlos Álvarez Mezquíriz	115	146	–	37	–	–	298
Richard C. Breeden	312	–	–	–	–	–	312
Ramón Bustamante y de la Mora	115	–	62	–	94	–	271
José Antonio Fernández Rivero(*)	115	–	–	–	–	187	302
Ignacio Ferrero Jordi	115	–	62	–	–	94	271
Román Knörr Borrás	115	146	–	–	–	–	261
Ricardo Lacasa Suárez	115	–	–	–	94	156	365
Carlos Loring Martínez de Irujo	115	–	62	37	–	–	214
Enrique Medina Fernández	115	146	–	–	94	–	355
Susana Rodríguez Vidarte	115	–	62	–	–	–	177
José María San Martín Espinós	115	146	–	37	–	–	298
Telefónica de España, S.A.	115	–	–	–	–	–	115
Total	**1,577**	**584**	**248**	**111**	**282**	**437**	**3,239**

(*) In 2005 this director received, in addition to the amounts shown in the preceding table, a total of EUR 652 thousand relating to his early retirement bonus as a former BBVA senior executive.

• REMUNERATION OF EXECUTIVE DIRECTORS

The detail, by item, of the remuneration paid to the executive directors in 2005 is as follows:

Thousands of Euros

	Fixed Remunerations	Variable Remuneration(*)	Total(**)
Chairman	1,649	2,486	4,135
Chief Executive Officer	1,220	2,097	3,317
General Secretary	544	645	1,189
Total	**3,413**	**5,228**	**8,641**

(*) Figures relating to variable remuneration for 2004 paid in 2005.
(**) In addition, the executive directors received remuneration in kind totalling EUR 33 thousand in 2005, of which EUR 7 thousand goes to chairman; EUR 14 thousands to Chief Excecutive Officer; EUR 12 thousands to general secretary.

The executive directors earned the following amounts of variable remuneration in 2005, and these amounts, which are recognised under the heading Accrued Expenses and Deferred Income in the financial statements, will be paid in the first quarter of 2006:

Thousands of Euros

Chairman	2,744
Chief Executive Officer	2,304
General Secretary	703

• Remuneration of the members of the Management Committee

The remuneration paid in 2005 to the members of BBVA's Management Committee, excluding executive directors, comprised EUR 6,730 thousand of fixed remuneration and EUR 15,751 thousand of variable remuneration earned in 2004 and received in 2005.

In addition, the members of the Management Committee, excluding executive directors, received remuneration in kind totalling EUR 521 thousand in 2005.

The members of the Management Committee earned variable remuneration totalling EUR 14,012 thousand in 2005, and this amount, which is recognised under the heading Accrued Expenses and Deferred Income in the financial statements, will be paid in the first quarter of 2006.

The membership of the Management Committee increased from 12 to 18 in December 2005. This section includes information relating to all the members of the Management Committee at 31 December 2005, excluding executive directors.

• Long-term incentive plan for 2003 to 2005

The multi-year remuneration plan for the management team, including executive directors and the Management Committee, for the years from 2003 to 2005, will be settled in the first half of 2006. This plan established certain long-term (2003/2005) objectives taking into consideration the BBVA Group's position regarding earnings per share, efficiency and ROE in comparison to its benchmark competitors. Under the plan, a sliding scale would be applied to the ordinary variable remuneration received by beneficiaries over its three-year term.

At the end of the 2003/2005 period, following publication by the benchmark entities of their final data, the average earnings per share, efficiency and ROE figures for the three-year period will be calculated.

Taking into account the 2003 and 2004 data and the published information for 2005, it is estimated that the amounts to be paid to the executive directors when the multi-year remuneration plan is settled will be as follows: the Chairman, EUR 4,812 thousand; the Chief Executive Officer, EUR 4,034 thousand and the Director-General Secretary, EUR 1,229 thousand.

These amounts were recorded under the heading Accrued Expenses and Deferred Income with a charge to Personnel Expenses in 2003, 2004 and 2005, respectively.

Also, it is considered that the amounts to be paid to the members of the Management Committee in settlement of the multi-year remuneration plan will total EUR 16,939 thousand were recorded under the heading Accrued Expenses and Deferred Income with a charge to Personnel Expenses in 2003, 2004 and 2005, respectively.

The implementation of the long-term incentive plan does not entail the granting to the beneficiaries of BBVA shares or share options.

• Welfare benefit obligations

The provisions recorded at 31 December 2005 to cater for welfare benefit obligations to non-executive members of the Board of Directors were as follows:

DIRECTORS	Thousands of Euros
Juan Carlos Álvarez Mezquíriz	248
Ramón Bustamante y de la Mora	259
José Antonio Fernández Rivero	101
Ignacio Ferrero Jordi	258
Román Knörr Borrás	195
Ricardo Lacasa Suárez	245
Carlos Loring Martínez de Irujo	75
Enrique Medina Fernández	369
Susana Rodríguez Vidarte	131
José María San Martín Espinós	346
Total	**2,227**

Of this cumulative total, EUR 623 thousand were recorded with a charge to income in 2005.

The provisions recorded at 2005 year-end to cater for welfare benefit obligations to executive directors were as follows:

	Thousands of Euros
Chairman	43,242
Chief Executive Officer	38,545
General Secretary	5,986
Total	**87,773**

Of this cumulative total, EUR 14,272 thousand was recorded with a charge to income in 2005.

Also, insurance premiums amounting to EUR 70 thousand were paid on behalf of members of the Board of Directors.

• Termination benefits

As stipulated in their contracts, the Bank's executive directors (Chairman, Chief Executive Officer and Director-General Secretary) are entitled to receive termination benefits in the event

that they are terminated for a reason other than their own free will, retirement, disability or serious breach of their duties.

Per the terms of their respective contracts, the termination benefits payable to these executive directors in the event of their termination as such in 2006 would be: EUR 122,568 thousand.

Entitlement to receive these termination benefits is conditional upon these directors' handing in their notice as such, resigning from any posts they hold at other entities in representation of the Bank, relinquishing their pre-existing labour relations with the Bank (including that of senior management) and waiving any termination benefits other than those specified.

From the termination date, the individual concerned will be barred, for a period of two years, from providing services to other financial institutions that compete with the Bank or its subsidiaries, as stipulated by Board regulations.

9. RISK EXPOSURE

Activities concerned with financial instruments may involve the assumption or transfer of one or more types of risk by financial entities. The risks associated with financial instruments are:

a) Market risks: these arise as a consequence of holding financial instruments whose value may be affected by changes in market conditions; they include three types of risk:

(i) Currency risk, which arises as a result of changes in the exchange rate between currencies.

(ii) Fair value interest rate risk, which arises as a result of changes in market interest rates.

(iii) Price risk, which arises as a result of changes in market prices, due either to factors specific to the individual instrument or to factors that affect all instruments traded on the market.

b) Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.

c) Liquidity risk: occasionally referred to as funding risk, this arises either because the entity may be unable to sell a financial asset quickly at an amount close to its fair value, or because the entity may encounter difficulty in finding funds to meet commitments associated with financial instruments.

The Group has developed a global risk management system based on three components: a corporate risk management structure, with segregated functions and responsibilities; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system. Following is a summary of each of the three components:

1. CORPORATE RISK MANAGEMENT STRUCTURE

The Board of Directors is the body that determines the Group's risk policy. It approves, where appropriate, any non-delegated financial transactions or programmes involving credit risk, with no restrictions as to the amount. It also authorises the operating limits and the delegation of powers relating to credit risk, market risk and structural risk.

These tasks are performed by the Standing Committee, which reports to the Board.

The Board has a Lending Committee, a specialized body whose functions include, inter alia: assessment of the Group's risk management in terms of risk profile and capital map, broken down by business and area of activity; evaluation of the general risk policies and establishment of limits by type of risk or business, and of management resources, procedures and systems, structures and processes; approval of individual or group risks that may affect the Bank's solvency, in keeping with the established delegation system; analysis and approval, where appropriate, of credit risks in terms of maximum customer or group exposure; monitoring of the Group's various risks, ensuring they comply with the profile defined by the Group; ensuring compliance with the recommendations of regulatory and supervisory bodies, and implementation of these recommendations in the Group's risk management model; and analysis of the Group's risk control systems.

The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Group's structural liquidity, interest rate and currency risks, and its core capital.

The Internal Risk Committee, which is composed of the persons responsible for Group risk management at corporate level, develops and implements the risk management model at BBVA and ensures that the risks assumed by the Group are in line with the target risk profile defined by the governing bodies.

The Technical Transactions Committee analyses and approves, where appropriate, the financial transactions and programmes that are within its level of authorisation, and refers any transactions exceeding the scope of its delegated powers to the Lending Committee.

2. TOOLS, CIRCUITS AND PROCEDURES

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk; this prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria. Specifically, the main risk management activities performed are as follows: calculation of the risk exposures of the various portfolios, considering any related mitigating factors (netting, collateral, etc.); calculation of the probability of default (PD), loss severity and expected loss of each

portfolio, and assignment of the PD to the new transactions (ratings and scorings); measurement of the values-at-risk of the portfolios based on various scenarios using historical and Monte Carlo simulations; establishment of limits to the potential losses based on the various risks incurred; determination of the possible impacts of the structural risks on the income statement; setting of limits and alerts to safeguard the Group's liquidity; identification and quantification of operational risks by business line to enable the mitigation of these risks through corrective measures; and definition of efficient circuits and procedures which contribute to the achievement of the targets set.

3. INTERNAL CONTROL – RISK MAPS

The Group has an independent function which, in keeping with the recommendations of the regulators, draws up Risk Maps identifying any gaps in the Group's risk management and the best practices, and establishes working plans with the various business areas to remedy these gaps.

a) Market risk management

a.1) Risk management in market areas

The BBVA Group manages together credit and market risks in the market and treasury areas through their Central Risk Unit.

The detail, by instrument, of the risk exposure at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Credit institutions	27,470,224	16,702,957
Fixed-income securities	82,009,555	83,211,589
Derivatives	8,525,664	7,607,036
Total	**118,005,443**	**107,521,582**

The BBVA Group manages together credit and market risks in the market and treasury areas through their Central Risk Unit.

In the market areas the Group has legal compensation rights and contractual compensation agreements which give rise to a reduction of EUR 10,749 million in credit risk exposure at 31 December 2005.

With regard to market risk (including interest rate risk, currency risk and equity price risk), BBVA's limit structure determines an overall VaR limit for each business unit and specific sublimits by type of risk, activity and desk. The Bank also has in place limits on losses and other control mechanisms such as delta sensitivity calculations, which are supplemented by a range of indicators and alerts which automatically activate procedures aimed at addressing any situations that might have a negative effect on the activities of the business area.

The market risk profile at 31 December 2005 and 2004 was as follows:

	Thousands of Euros	
	2005	2004
Interest risk	11,284	12,322
Spread risk	3,343	3,967
Currency risk	1,717	1,216
Stock-market risk	2,024	2,261
Vega risk	4,443	3,904
Correlation risk	1,817	1,986

a.2) Structural interest rate risk

The aim of on-balance-sheet interest rate risk management is to maintain the BBVA Group's exposure to market interest rate fluctuations at levels in keeping with its risk strategy and profile. To this end, the ALCO actively manages the balance sheet through transactions intended to optimize the level of risk assumed in relation to the expected results, thus enabling the Group to comply with the tolerable risk limits.

The ALCO bases its activities on the interest rate risk measurements performed by the Risk Area. Acting as an independent unit, the Risk Area periodically quantifies the impact of interest rate fluctuations on the BBVA Group's net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Group performs probabilistic calculations to determine the economic capital for structural interest rate risk in the BBVA Group's banking activity (excluding the Treasury Area) based on interest rate curve simulation models.

All these risk measurements are subsequently analysed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorised by the Standing Committee are reported to the various managing bodies of the BBVA Group.

Following is a detail of the average interest rate risk exposure levels of the main financial institutions of the BBVA Group in 2005:

	Average Impact on Net Interest Income				
	100 Basis-Point Increase				100 Basis-Point Decrease
ENTITIES	Euro	Dollar	Other	Total	Total
BBVA	−156	−8	−4	−166	+168
Other Europe	+2	–	–	+2	−3
BBVA Bancomer	–	+19	+90	+109	−108
BBVA Chile	–	–	−4	−4	+4
BBVA Colombia	–	–	+7	+7	−7
BBVA Banco Continental	–	+3	−2	+1	−1
BBVA Banco Provincial	–	+1	+7	+8	−7
BBVA Puerto Rico	–	−3	–	−3	–

In millions of euros.

	Average Impact on Economic Value				
	100 Basis-Point Increase				100 Basis-Point Decrease
ENTITIES	Euro	Dollar	Other	Total	Total
BBVA	+483	+28	−3	+508	−580
Resto Europa	−20	–	–	−20	+21
BBVA Bancomer	–	+7	−4	+3	+5
BBVA Chile	–	+1	−47	−46	+50
BBVA Colombia	–	−1	+4	+3	−3
BBVA Banco Continental	–	−16	−7	−23	+25
BBVA Banco Provincial	–	–	+7	+7	−7
BBVA Puerto Rico	–	–	–	–	−12

In millions of euros.

As part of the measurement process, the Group established the assumptions regarding the evolution and behaviour of certain items, such as those relating to products with no explicit or contractual maturity. These assumptions are based on studies that estimate the relationship between the interest rates on these products and market rates and enable specific balances to be classified into trend-based balances maturing at long term and seasonal or volatile balances with short-term residual maturity.

a.3) Structural currency risk

Structural currency risk derives mainly from exposure to exchange rate fluctuations arising in relation to the Group's foreign subsidiaries and from the endowment funds of the branches abroad financed in currencies other than the investment currency.

The ALCO is responsible for arranging hedging transactions to limit the net worth impact of fluctuations in exchange rates, based on their projected trend, and to guarantee the equivalent euro value of the foreign currency earnings expected to be obtained from these investments.

Structural currency risk management is based on the measurements performed by the Risk Area. These measurements use an exchange rate scenario simulation model which quantifies possible changes in value with a confidence interval of 99% and a pre-established time horizon. The Standing Committee limits the economic capital or unexpected loss arising from the currency risk of the foreign-currency investments.

At 31 December 2005, the coverage of structural currency risk exposure stood at 44%.

a.4) Structural equity price risk

The BBVA Group's exposure to structural equity price risk derives mainly from investments in industrial and financial companies with medium- to long-term investment horizons. It is reduced by the net short positions held in derivative instruments on the same underlyings in order to limit the sensitivity of the portfolio to possible falls in prices. At 31 December 2005, the aggregate sensitivity of the Group's equity positions to a 1% fall in the price of the shares amounted to EUR 84 million, 75% of which is concentrated in highly liquid European Union equities. This figure is determined by considering the exposure on shares measured at

market price or, in the absence thereof, at fair value, including the net positions in equity swaps and options on the same underlyings in delta equivalent terms. Treasury Area portfolio positions are not included in the calculation.

The Risk Area measures and effectively monitors the structural equity price risk. To this end, it estimates the sensitivity figures and the capital required to cover the possible unexpected losses arising from fluctuations in the value of the companies in the investment portfolio, with a confidence interval equal to the entity's target rating, taking into account the liquidity of the positions and the statistical behaviour of the assets under consideration. These measurements are supplemented by periodic stress- and back-testing and scenario analyses.

b) Credit risk management

Loans and receivables –

The detail, by nature of the related financial instrument, of the carrying amounts of the financial assets included under Loans and Receivables in the accompanying consolidated balance sheets at 31 December 2005 and 2004 is shown in Note 14.

The detail, by heading, of the Group's maximum credit risk exposure at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Gross credit risk (amount drawn down)	252,274,622	198,230,469
Loans and receivables	222,413,025	176,672,820
Contingent liabilities	29,861,597	21,557,649
Market activities	118,005,443	107,533,914
Drawable by third parties	85,001,452	60,716,878
Total	**455,281,517**	**366,481,261**

The detail, by geographical area, of the aforementioned balance at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Spain	199,043,387	163,821,433
Other European countries	6,462,795	5,721,920
The Americas	46,768,440	28,687,116
Mexic	24,499,054	14,714,176
Puerto Rico	3,293,317	2,484,770
Chile	5,918,357	3,941,860
USA	1,797,094	56,691
Argentina	2,109,233	1,695,668
Peru	2,846,359	1,959,688
Colombia	2,845,845	1,446,183
Venezuela	2,397,018	1,543,935
Othe	1,062,163	844,145
Total	**252,274,622**	**198,230,469**

At 31 December 2005, 79 corporate groups had drawn down loans of more than EUR 200 million, which taken together constitute a total risk exposure of EUR 37,151 million, 14.7% of the total for the Group at 31 December 2005. 95% of these corporate groups have an investment grade rating. The breakdown, based on the geographical area in which the transaction was originated, is as follows: 67% in Spain, 21% in the Bank's branches abroad, and 12% in Latin America (9% in Mexico alone). The detail, by sector, is as follows: Institutional (30%), Real Estate and Construction (17%), Telecommunications (10%), Consumer Goods and Services (10%), and Electricity and Gas (10%).

The exposure to the business activity on the private sector of the Spanish companies shows high credit quality; 80.7% of the portfolio has a rating equal or high than BBB (investment grade) and 51.9% is focused in the A level or higher, as indicated in next chart:

	% exposure
AAA/AA	35.6
A	23.5
BBB+	8.8
BBB	6.1
BBB–	6.6
BB+	5.4
BB	4.8
BB–	3.4
B+	3.1
B	1.9
B–	0.7
CCC	0.1
Total	**100.0**

Loans and advances to other debtors –

The detail, by transaction type, status, sector and geographical area, of the carrying amounts of the financial assets included under Loans and Advances to Other Debtors in the accompanying consolidated balance sheets at 31 December 2005 and 2004, disregarding the impairment losses, is shown in Note 14.3.

The Group's lending to the private sector resident in Spain totalled EUR 140 billion. Its risk exposure is highly diversified between financing provided to individuals and businesses, and there are no significant concentrations in the sectors that are more sensitive to the current economic scenario.

Past-due and overdrawn customer loans included in Receivable on Demand and Other amounted to EUR 1,023

million at 31 December 2005 (EUR 946 million at 31 December 2004).

Impaired assets –

The detail, by nature of the related financial instrument, of the carrying amounts of the financial assets included under the heading Impaired Assets in the accompanying consolidated balance sheets at 31 December 2005 and 2004 is shown in Note 14.4.

The detail, by geographical area, of the impaired assets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Spain	1,051,072	1,169,599
Other European countries	37,419	33,708
The Americas	1,293,838	1,044,746
Mexico	573,004	433,314
Puerto Rico	71,482	62,102
Chile	234,513	172,190
USA	18,576	0
Peru	82,139	66,498
Argentina	38,464	71,892
Colombia	223,041	160,548
Venezuela	15,795	22,588
Other	36,824	55,614
Total	**2,382,329**	**2,248,053**

The changes in the period from 1 January 2005 to 31 December 2005 in impaired loans and advances to other debtors in the foregoing detail are detailed in Note 14.4.

At 31 December 2005 and 2004, the doubtful balances of the various business segments were as follows:

	Thousands of Euros	
	2005	2004
Retail Banking Spain and Portugal	852,844	940,215
Wholesale and Investment Banking	122,769	169,476
The Americas	1,295,765	1,046,136
Corporate Activities	110,951	92,226
Total (*)	**2,382,329**	**2,248,053**

(*) Includes contingent liabilities.

Impairment losses –

The changes in the balance of the provisions for impairment losses on the assets included under Loans and Receivables are shown in Note 14.4.

In addition, at 31 December 2005, the provisions for impairment losses on off-balance-sheet items amounted to EUR 452 million (EUR 349 million at 31 December 2004) (Note 28).

c) Liquidity risk

The aim of liquidity risk management and control is to ensure that the Bank's payment commitments can be met without having to resort to borrowing funds under onerous conditions.

The Group's liquidity risk is monitored using a dual approach: the short-term approach (90-day time horizon), which focuses basically on the management of payments and collections of Treasury and Markets, ascertains the Bank's possible liquidity requirements; and the structural, medium- and long-term approach, which focuses on the financial management of the balance sheet as a whole.

The Risk Area performs a control function and is totally independent of the management areas of each of the approaches and of the Group's various units.

For each entity, the management areas request an outline of the quantitative and qualitative limits and alerts for short-, medium- and long-term liquidity risk, which is authorized by the Standing Committee. Also, the Risk Area performs periodic (daily and monthly) risk exposure measurements, develops the related valuation tools and models, conducts periodic stress tests, measures the degree of concentration on interbank counterparties, prepares the policies and procedures manual, and monitors the authorised limits and alerts.

The liquidity risk data are sent periodically to the Group's ALCO and to the management areas involved. As established in the Contingency Plan, the Technical Liquidity Group (GTL), in the event of an alert of a possible crisis, conducts an initial analysis of the Bank's short- and long-term liquidity situation. The GTL comprises personnel from the Short-Term Cash Desk, Financial Management and Risk Central Unity on Markets Areas-Structural Risk. If the alert is serious, the GTL reports the matter to the Liquidity Committee, which is composed of the managers of the related areas. The Liquidity Committee is responsible, in situations requiring urgent attention, for calling a meeting of the Crisis Committee chaired by the CEO.

10. CASH AND BALANCES WITH CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Cash	2,408,841	1,790,632
Balances at the Bank of Spain	2,387,142	3,140,392
Balances at other central banks	7,545,334	5,192,066
Total(*)	**12,341,317**	**10,123,090**

(*) Includes Valuation Adjustments.

11. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

11.1. BREAKDOWN OF THE BALANCE

The breakdown of the balances of these headings in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros			
	2005		2004	
	Receivable	Payable	Receivable	Payable
Debt securities	24,503,507	–	30,396,579	–
Other equity instruments	6,245,534	–	5,690,885	–
Trading derivatives	13,262,740	13,862,444	10,948,596	12,802,912
Short positions	–	2,408,221	–	1,331,501
Total	**44,011,781**	**16,270,865**	**47,036,060**	**14,134,413**

11.2. DEBT SECURITIES

The breakdown of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Issued by central banks	141,820	294,242
Spanish government bonds	2,501,499	6,906,877
Foreign government bonds	13,132,841	14,654,416
Issued by Spanish financial institutions	923,835	747,864
Issued by foreign financial institutions	5,022,035	4,879,106
Other debt securities	2,780,373	2,914,074
Securities lending	1,104	–
Total	**24,503,507**	**30,396,579**

The debt securities included under Financial Assets Held for Trading earned average annual interest of 5.29% in 2005 (7.02% in 2004).

The detail, by geographical area, of the balance of Debt Securities is as follows:

	Thousands of Euros	
	2005	2004
Europe	9,331,740	16,795,670
United States	3,187,479	2,394,949
Latin America	11,518,730	10,826,552
Rest of the world	465,558	379,408
Total	**24,503,507**	**30,396,579**

11.3. OTHER EQUITY INSTRUMENTS

The breakdown of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Shares of Spanish companies	**3,326,259**	**2,988,917**
Credit institutions	502,968	272,833
Other	2,823,291	2,726,084
Shares of foreign companies	**1,273,550**	**1,493,200**
Credit institutions	140,167	86,741
Other	1,133,383	1,406,559
Share in the net assets of mutual funds	**1,645,725**	**1,198,768**
Total	**6,245,534**	**5,690,885**

11.4. TRADING DERIVATIVES

The detail, by transaction type and market, of the balances of this heading in the consolidated balance sheet at 31 December 2005 and 2004 is as follows:

2005	Currency Risk	Interest Rate Risk	Equity Price Risk	Credit Risk	Other Risks	Total
	Thousands of Euros					
Organised markets						
Financial futures	4,069	(5,833)	(53)	39,747	10,724	48,654
Options	(299)	(279)	253,062	–	–	252,484
Other products	–	593	–	–	–	593
OTC markets						
Credit institutions						
Forward transactions	107,695	128,384	(7,614)	–	–	228,465
Future rate agreements (FRAs)	–	20	–	–	–	20
Swaps	(7,656)	(78,072)	29,639	(1,896)		(57,985)
Options	(92,819)	154,547	(189,327)	–	(4,132)	(131,731)
Other products	(2,276)	(235,129)	–	–	–	(237,405)
Other financial Institutions						
Forward transactions	(25,389)	–	–	–	–	(25,389)
Future rate agreements (FRAs)	–	(68)	–	–	–	(68)
Swaps	–	(108,432)	(4,830)	(592)	–	(113,854)
Options	(31,527)	(177,943)	(40,845)	–	–	(250,315)
Other products	(262)	54,917	–	–	–	54,655
Other sectors						
Forward transactions	(168,653)	–	214	–	–	(168,439)
Future rate agreements (FRAs)	–	1,736	–	–	–	1,736
Swaps		421,392	(346,225)	(1,471)	–	73,696
Options	(12,434)	294,900	(557,431)	–	–	(274,965)
Other products	(56)		–	–	–	(56)
Total	**(229,607)**	**450,373**	**(863,410)**	**35,788**	**6,592**	**(599,904)**
of which: Asset Trading Derivatives	**1,301,581**	**9,836,714**	**1,921,374**	**98,444**	**104,627**	**13,262,740**
of which: Liability Trading Derivatives	**(1,531,188)**	**(9,385,981)**	**(2,784,784)**	**(62,656)**	**(98,035)**	**(13,862,644)**

2004	Currency Risk	Interest Rate Risk	Equity Price Risk	Credit Risk	Total
	Thousands of Euros				
Organised markets					
Options	4,434	(18)	(56,911)	–	(52,495)
OTC markets					
Credit institutions					
Forward transactions	(58,944)	865	–	–	(58,079)
Future rate agreements (FRAs)	–	(1,829)	–	–	(1,829)
Swaps	(7,521)	(631,399)	(15,728)	(331)	(654,979)
Options	31,208	(29,367)	(176,823)		(174,982)
Other financial Institutions					
Forward transactions	(110,128)	–	–	–	(110,128)
Future rate agreements (FRAs)	–	(47)	–	–	(47)
Swaps	(14,052)	(382,059)	(5,094)	(287)	(401,492)
Options	1,068	(36,310)	13,356		(21,886)
Other sectors					
Forward transactions	(737,767)	–	–	–	(737,767)
Future rate agreements (FRAs)	–	677	–	–	677
Swaps	(94,137)	530,896	(15,768)	(721)	420,270
Options	36,108	(25,765)	(71,922)	–	(61,579)
Total	**(949,731)**	**(574,356)**	**(328,890)**	**(1,338)**	**(1,547,955)**
of which: Asset Trading Derivatives	**2,030,065**	**8,611,741**	**285,815**	**20,975**	**10,948,596**
of which: Liability Trading Derivatives	**(2,979,796)**	**(9,186,097)**	**(614,705)**	**(22,314)**	**(12,802,912)**

12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004, based on the nature of the related transactions, is as follows:

	Thousands of Euros	
	2005	2004
Debt securities	282,916	58,771
Unit-linked products	*282,916*	*58,771*
Other equity instruments	1,138,337	1,000,719
Other securities	*264,249*	*241,618*
Unit-linked products	*874,088*	*759,101*
Total	**1,421,253**	**1,059,490**

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

13.1. BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004, based on the nature of the related transactions, is as follows:

	Thousands of Euros	
	2005	2004
Debt securities	**50,731,597**	**44,814,277**
Issued by central banks	514,633	450,698
Spanish government bonds	14,277,305	16,318,064
Foreign government bonds	21,919,543	16,137,449
of which: doubtfully receivable from foreign general government	3,056	346,484
Issued by credit institutions	9,523,871	7,149,153
Resident	773,652	608,017
Nonresident	8,750,219	6,541,136
of which: doubtfully receivable from foreign credit institutions	81	–
Other debt securities	4,496,245	4,758,913
Resident	1,583,903	2,001,701
Nonresident	2,912,342	2,757,212
of which: doubtfully receivable from nonresidents	–	1,030
Other (Securities lending)	–	–
Other equity instruments	**6,058,891**	**8,032,779**
Shares of Spanish companies	3,840,320	6,124,453
Credit institutions	16,587	18,803
Quoted	–	2,216
Unquoted	16,587	16,587
Other	3,823,733	6,105,650
Quoted	3,731,873	6,012,753
Unquoted	91,860	92,897
Shares of foreign companies	783,300	1,032,959
Credit institutions	272,256	260,399
Quoted	236,847	245,747
Unquoted	35,409	14,652
Other	466,044	772,560
Quoted	398,976	493,509
Unquoted	67,068	279,051
Shares in the net assets of mutual funds	1,480,271	875,367
Total gross	**56,790,488**	**52,847,056**
Prepayments and accrued income and adjustments for hedging derivatives	3,381,799	305,891
Impairment losses	(138,299)	(149,402)
Total net	**60,033,988**	**53,003,545**

In 2005 and 2004, EUR 428,560 thousand and EUR 974,412 thousand, respectively, were debited to Valuation Adjustments and recorded under Gains/Losses on Financial Assets and Liabilities in the consolidated income statements for 2005 and 2004.

The detail, by geographical area, of the debt securities and other equity instruments included under this heading, disregarding accruals and impairment losses:

	Thousands of Euros	
	2005	2004
Europe	42,174,090	41,377,085
United States	4,129,727	1,575,299
Latin America	9,820,752	9,000,123
Rest of the world	665,919	894,549
Total	**56,790,488**	**52,847,056**

13.2. IMPAIRMENT LOSSES

Following is a summary of the changes in 2005 and 2004 in the impairment losses on available-for-sale financial assets:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**149,402**	**192,797**
Increase in impairment losses charged to income	8,183	–
Decrease in impairment losses credited to income	(27,615)	(68,815)
Elimination of impaired balance due to transfer of asset to write-off	(17,161)	–
Transfers	1,501	–
Exchange differences	23,989	25,420
Balance at end of year	**138,299**	**149,402**
Of which:		
–Determined individually	*83,928*	*85,782*
–Determined collectively	*54,371*	*62,620*

At 31 December 2005 and 2004, the balances of the individually determined impairment losses related in full to debt securities from countries belonging to the Latin America geographical area.

14. LOANS AND RECEIVABLES

14.1. BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004, based on the nature of the related financial instrument, is as follows:

	Thousands of Euros	
	2005	2004
Loans and advances to credit institutions	27,373,957	16,603,694
Money market operations through counterparties	–	241,999
Loans and advances to other debtors	221,994,586	175,593,496
Debt securities	2,292,537	5,497,509
Other financial assets	2,784,054	2,366,666
Total gross	**254,445,134**	**200,303,364**
Less: valuation adjustments(*)	(5,048,487)	(3,411,161)
Total net	**249,396,647**	**196,892,203**

* The valuation adjustments shown above relate to the accrual of interest and similar income and to the valuation adjustments of the hedging derivatives associated with loans and advances.

14.2. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004, based on the nature of the related financial instrument, is as follows:

	Thousands of Euros	
	2005	2004
Reciprocal accounts	379,827	396,719
Deposits with agreed maturity	13,202,414	9,429,882
Demand deposits	540,982	342,951
Other accounts	791,623	443,547
Reverse repurchase agreements	12,459,111	5,990,595
Total, gross	**27,373,957**	**16,603,694**
Less: valuation adjustments	96,267	99,263
Total, net	**27,470,224**	**16,702,957**

14.3. LOANS AND ADVANCES TO OTHER DEBTORS

The detail, by loan type, status, sector and geographical area, of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004, disregarding the balance of the impairment losses, is as follows:

	Thousands of Euros	
	2005	2004
Financial paper	6,566	48,540
Commercial credit	20,101,790	12,289,969
Secured loans	101,527,208	77,221,108
Credit accounts	19,312,007	17,028,327
Other loans	61,671,944	53,703,804
Reverse repurchase agreements	1,176,327	719,798
Receivable on demand and other	8,716,758	6,595,709
Finance leases	7,138,174	5,784,623
Impaired assets(*)	2,343,812	2,201,614
Total gross	**221,994,586**	**175,593,492**
Valuation adjustments	(5,144,106)	(3,510,420)
Total net	**216,850,480**	**172,083,072**

(*) EUR (2,260) thousand of accrued interest are included.

Through several of its financial institutions the Group provides financing to its customers to enable them to acquire both personal and real property through finance lease contracts which are recorded under this heading.

The breakdown, by borrower sector, of the balance of this heading at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Public sector	22,125,331	20,345,386
Agriculture	2,504,423	1,607,838
Industry	17,929,750	16,714,665
Real estate and construction	36,561,531	25,232,071
Trade and finance	36,194,157	17,703,404
Loans to individuals	82,583,257	70,613,165
Leases	6,725,825	6,340,870
Other	17,370,312	17,036,093
Total	**221,994,586**	**17,593,496**

The detail, by geographical area, of the balance of Loans and Advances to Other Debtors at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Europe	170,789,741	144,332,632
United States	6,196,086	3,043,899
Latin America	43,490,220	27,099,398
Rest of the world	1,518,539	1,117,567
Total	**221,994,586**	**175,593,496**

Of the total balance of Loans and Advances to Other Debtors, EUR 5,468,142 thousand and EUR 1,972,784 thousand relate to loans securitised through three securitisation funds created by the Group at December 31, 2005 and 2004, respectively; since the Group retains the risks and rewards of these loans, they cannot be derecognised. The detail of these loans, based on the nature of the related financial instrument, is as follows (see Notes 2.2.t, 3.c and 42):

	Thousands of Euros	
SECURITISATIONS	2005	2004
Derecognised on the balance sheet	1,587,209	2,096,440
Securitised mortgage assets	376,180	387,855
Other securitised assets	1,211,029	1,708,585
Retained on the balance sheet	5,468,142	1,972,784
Securitised mortgage assets	2,249,752	579,351
Other securitised assets	3,218,390	1,393,433
Total	**7,055,351**	**4,069,224**

14.4. IMPAIRED ASSETS AND IMPAIRMENT LOSSES

The changes in 2005 and 2004 in the Impaired Assets balance were as follows:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**2,201,614**	**2,923,849**
Additions	1,939,737	2,004,660
Recoveries	(1,527,040)	(1,559,012)
Transfers to write-off	(666,534)	(713,188)
Exchange differences and other	398,295	(454,695)
Balance at end of year	**2,346,072**	**2,201,614**

The changes in the balance of the provisions covering the impairment losses on the assets included under Loans and Receivables were as follows:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**4,621,654**	**5,045,608**
Increase in impairment losses charged to income	1,418,758	1,718,549
Decrease in impairment losses credited to income	(597,704)	(574,755)
Acquisition of subsidiaries in the year	145,884	1,095
Disposal of entities in the year	(2,034)	–
Recovery of fixed-income security provisions	–	14,067
Elimination of impaired balance due to transfer of asset to write-off	(666,534)	(713,188)
Transfers to written-off loans	2,960	(21,226)
Exchange differences	370,128	(146,401)
Other	293,544	(702,095)
Balance at end of year	**5,586,656**	**4,621,654**
Of which:		
–Determined individually	*2,041,573*	*1,867,695*
–Determined collectively	*3,545,083*	*2,753,959*
Of which:		
Based on the nature of the asset covered:	**5,586,656**	**4,621,654**
Loans and advances to credit institutions	17,423	31,860
Loans and advances to other debtors	5,562,545	4,589,748
Debt securities	648	–
Other financial assets	6,040	46
Of which:		
By geographical area:	**5,586,656**	**4,621,654**
Europe	3,179,172	2,783,002
United States	39,444	1,169
Latin America	2,350,656	1,821,313
Rest of the world	17,384	16,170

EUR 666,534 thousand and EUR 713,188 thousand of financial assets were derecognised in 2005 and 2004 because the probability of recovering them was considered to be remote.

At 31 December 2005 and 2004, financial income amounting to EUR 1,051,687 thousand and EUR 750,018 thousand had accrued, respectively, but was not recorded in the consolidated income statement because there were doubts regarding its collectability.

15. HELD-TO-MATURITY INVESTMENTS

At 31 December 2005 and 2004, the detail of the balance of this heading in the consolidated balance sheets was as follows:

	Thousands of Euros	
	2005	2004
Quoted Spanish government bonds	363,022	337,435
Quoted foreign government bonds	2,272,187	1,297,558
Issued by Spanish credit institutions	264,150	154,065
Issued by foreign credit institutions	481,940	325,191
Debentures and bonds	583,080	111,357
Issued by other resident sectors	583,080	111,357
Total, gross	**3,964,379**	**2,225,606**
Impairment losses	(5,114)	(4,104)
Total, net	**3,959,265**	**2,221,502**

All these balances are in Europe.

The gross changes in 2005 and 2004 in the balance of this heading in the consolidated balance sheets are summarised as follows:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**2,225,606**	**–**
Acquisitions	1,884,773	2,225,606
Redemptions	(146,000)	–
Balance at end of year	**3,964,379**	**2,225,606**

Following is a summary of the changes in 2005 and 2004 in the impairment losses on held-to-maturity investments:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**4,104**	**–**
Increase in impairment losses charged to income	1,008	4,106
Other	2	(2)
Balance at end of year	**5,114**	**4,104**
–Determined collectively	5,114	4,104

16. HEDGING DERIVATIVES (RECEIVABLE AND PAYABLE)

The detail of the fair value of the hedging derivatives held by the Group at 31 December 2005 and 2004 and recognised in the consolidated balance sheets is as follows:

	Thousands of Euros			
2005	Exchange Risk	Interest Rate Risk	Equity Price Risk	Total
Organised Markets				
Fair value micro-hedge	–	(8,067)	(2,377)	(10,444)
Credit institutions				
Fair value micro-hedge	(1,715,271)	740,877	31,370	(943,024)
Cash flow micro-hedge	1,599,175	(150,024)	–	1,449,151
Micro-hedges of net investments in foreign operations	(35)	–		(35)
Other financial institutions				
Fair value micro-hedge	–	194,522	(307)	194,215
Other sectors				
Fair value micro-hedge	–	355,317	(2,832)	352,484
Cash flow micro-hedge	–	227	–	227
Micro-hedges of net investments in foreign operations	35		–	35
Total	**(116,096)**	**1,132,851**	**25,854**	**1,042,609**
of which: Asset Hedging Derivatives	**1,599,176**	**2,281,663**	**31,857**	**3,912,696**
of which: Liability Hedging Derivatives	**(1,715,271)**	**(1,148,812)**	**(6,003)**	**(2,870,086)**

	Thousands of Euros		
2004	Interest Rate Risk	Equity Price Risk	Total
Credit institutions			
Fair value micro-hedge	761,929	(235,013)	526,916
Cash flow micro-hedge	(34,210)	–	(34,210)
Fair value macro-hedge	118,290	–	118,290
Other financial Institutions			
Fair value micro-hedge	72,339	163	72,502
Fair value macro-hedge	15,369	–	15,369
Other sectors			
Fair value micro-hedge	391,957	–	391,957
Cash flow micro-hedge	1,512	–	1,512
Fair value macro-hedge	49,542		49,542
Total	**1,376,728**	**(234,850)**	**1,141,877**
of which: Asset Hedging Derivatives	**3,834,083**	**439,367**	**4,273,450**
of which: Liability Hedging Derivatives	**(2,457,355)**	**(674,217)**	**(3,131,572)**

17. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The balance of Non-Current Assets Held for Sale relates in full to foreclosed assets.

The changes in 2005 and 2004 in the balance of this heading in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2005	2004
Revalued cost-		
Balances beginning at 2004	**338,860**	**385,620**
Additions	122,438	84,968
Retirements	(212,304)	(170,986)
Acquisition of subsidiaries in the year	90,903	7,409
Transfers	8,431	37,630
Exchange difference and other	52,955	(5,781)
Balance at 31 December 2005	**401,283**	**338,860**
Impairment-		
Balances beginning at 2004	**179,705**	**202,448**
Additions	31,093	51,529
Retirements	(51,533)	(61,567)
Acquisition of subsidiaries in the year	28,205	–
Transfers	4,084	(250)
Exchange difference and other	(21,531)	(12,455)
Balance at 31 December 2005	**170,023**	**179,705**
Balance at end of year	**231,260**	**159,155**

At 31 December 2005 and 2004, there were no liabilities associated with non-current assets held for sale.

The fair value of these items was determined by reference to appraisals performed by companies registered as valuers in each of the geographical areas in which the assets are located.

Most of the non-current assets held for sale recorded as assets in the consolidated balance sheets at 31 December 2005 and 2004 relate to properties. These properties classified as "non-current assets held for sale" are assets available for sale, which is considered highly probable. The sale of most of these assets is expected to be completed within one year of the date on which they are classified as "non-current assets held for sale".

18. INVESTMENTS

18.1. INVESTMENTS IN ASSOCIATES

The most significant investment in associates at 31 December 2005 and 2004 was that held in Banca Nazionale del Lavoro S.p.A. ("BNL"), in which the Group owned 14.427% and 14.639% of the share capital respectively.

On 28 March 2005, the Bank's Board of Directors resolved to launch a tender offer for the voluntary exchange of all the ordinary shares of BNL. Once the relevant authorisations had been obtained from the competent bodies, the shareholders approved the details of the transaction at the Special General Meeting held on 13 June 2005.

Prior to the expiration of the acceptance period of BBVA's offer (22 July), the Italian insurance group Unipol Assicurazioni S.p.A. ("Unipol") announced that it had entered into side agreements with certain entities, as a result of which they controlled 46.95% of BNL's capital. In view of this situation, and since it did not expect to obtain more than 50% of BNL's capital, the Group withdrew its tender offer for the voluntary exchange of shares.

As permitted by Italian legislation, in August Unipol presented a tender offer for all the shares of BNL, subject to obtainment of the relevant authorisation. However, on 3 February 2006, the Bank of Italy ultimately refused to grant Unipol authorisation to launch the offer. On that same day, Unipol announced that it had reached an agreement with the French entity BNP Paribas ("BNP") for the sale of the BNL shares held by it, and notified BNP of its intention to launch a tender offer on all BNL's capital.

At the date of preparation of these financial statements, the transactions described in the preceding paragraph had not been performed since the related authorisation had not been obtained. Accordingly, the shareholders' agreement under which the Group has significant influence over the Board of Directors of BNL (Note 2.1-c) remains in force, and the Group's investment in BNL is recorded under the heading Investments - Associates" in the accompanying balance sheet.

The gross changes in 2005 and 2004 in Investments - Associates in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**910,096**	**1,186,154**
Acquisitions	9,647	212,281
Disposals	(10,676)	(307,505)
Transfers	36,791	(180,834)
Balance at end of year	**945,858**	**910,096**

18.2. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 31 December 2005 and 2004, all these investments are consolidated by the equity method (see Note 2.1.b).

The changes relating to 2005 reflect the sale of Azeler Automoción, S.A. and to the consolidation of Iniciativas Residenciales en Internet, S.A. by the full consolidation method.

18.3. NOTIFICATIONS OF THE ACQUISITION OF INVESTMENTS

Appendix IV lists the Group's acquisitions and disposals of holdings in associates or jointly controlled entities and the notification dates thereof, in compliance with Article 86 of the Spanish Corporations Law and Article 53 of Securities Market Law 24/1988.

18.4. IMPAIRMENT

No evidence of impairment was disclosed in respect of the Group's investments in associates and jointly controlled entities.

19. REINSURANCE ASSETS

The most representative companies composing the insurance business of the consolidated Group are as follows:
BBVA Seguros, S.A., Assegurances Principat, S.A., Seguros Bancomer, S.A., BBVA Seguros de Vida, S.A. and Consolidar Group's insurance companies.

At 31 December 2005 and 2004, the detail of the balance of this heading in the consolidated balance sheets was as follows:

	Thousands of Euros	
	2005	2004
Reinsurance assets	223,276	80,245
Reinsurer's share of technical provisions	223,276	80,245
Debtors arising from insurance and reinsurance operations	11,902	23
Debtors arising from reinsurance operations	11,917	–
Deposits received for outward reinsurance	(15)	23
Total	**235,178**	**80,268**

20. TANGIBLE ASSETS

The detail of the changes in 2005 and 2004 in this heading in the consolidated balance sheets, based on the nature of the related items, is as follows:

	Thousands of Euros					
	Property, plants and equipment			Investment Properties	Assets Leased out under an Operating Lease	Total
2005	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles			
Revalued cost-						
Balances at 1 January 2005	**2,765,508**	**9,068**	**4,357,093**	**194,518**	**566,386**	**7,892,573**
Additions	109,089	19,351	374,831	5,094	239,553	747,918
Retirements	(148,671)	(6,758)	(159,614)	(38,868)	(113,749)	(467,660)
Acquisition of subsidiaries in the year	158,848	10,102	124,147	–	–	293,097
Disposal of entities in the year	(5,594)	(462)	(3,531)	–	–	(9,587)
Transfers	34,977	(7,512)	6,912	(34,377)	–	(32,133)
Exchange difference and other	238,164	(4,682)	276,508	(33,216)	(62,268)	446,639
Balance at 31 December 2005	**3,152,321**	**19,107**	**4,976,346**	**93,151**	**629,922**	**8,870,847**
Accumulated depreciation-						
Balances at 1 January 2005	**(663,965)**	**(897)**	**(3,013,054)**	**(31,869)**	**(127,127)**	**(3,836,912)**
Additions	(52,348)	–	(218,681)	(1,389)	(88,624)	(361,042)
Retirements	41,417	1,011	142,521	4,294	53,517	242,960
Acquisition of subsidiaries in the year	(28,631)	–	(79,702)	–	–	(108,333)
Disposal of entities in the year	119	–	2,254	1,083	–	3,456
Transfers	(10,131)	–	4,422	5,709	–	–
Exchange difference and other	(83,416)	(114)	(231,222)	7,145	(1,761)	(397,993)
Balance at 31 December 2005	**(796,955)**	**–**	**(3,482,086)**	**(15,028)**	**(163,795)**	**(4,457,864)**
Impairment-						
Balances at 1 January 2005	**(116,025)**	**–**	**–**	**–**	**–**	**(116,025)**
Additions	(2,176)	–	–	(1,375)	–	(3,551)
Retirements	9,515	–	–	–	–	9,515
Acquisition of subsidiaries in the year	(1,855)	–	–	–	–	(1,855)
Exchange difference and other	82,328	–	–	(6)	–	82,322
Balance at 31 December 2005	**(28,213)**	**–**	**–**	**(1,381)**	**–**	**(29,594)**
Net tangible assets-						
Balance at 1 January 2005	**1,985,518**	**8,171**	**1,344,039**	**162,649**	**439,259**	**3,939,636**
Balance at 31 December 2005	**2,327,153**	**19,107**	**1,494,260**	**76,742**	**466,127**	**4,383,389**

	Thousands of Euros					
	Property, plants and equipment			Investment Properties	Assets Leased out under an Operating Lease	Total
2004	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles			
Revalued cost-						
Balances at 1 January 2004	**2,746,953**	**11,519**	**4,511,749**	**169,293**	**462,585**	**7,902,099**
Additions	60,822	–	356,902	16,645	200,967	635,336
Retirements	(32,467)	(2,451)	(433,427)	–	(37,945)	(506,290)
Transfers	111	–	(15,740)	8,580	(21,580)	(28,629)
Exchange difference and other	(9,911)	–	(62,391)	–	(37,641)	(109,943)
Balance at 31 December 2004	**2,765,508**	**9,068**	**4,357,093**	**194,518**	**566,386**	**7,892,573**
Accumulated depreciation-						
Balances at 1 January 2004	**(643,263)**	**–**	**(3,111,237)**	**(23,504)**	**(157,871)**	**(3,935,875)**
Additions	(45,869)	(897)	(234,195)	(8,365)	(73,986)	(363,312)
Retirements	16,830	–	351,871	–	43,901	412,602
Transfers	9,004	–	(872)	–	–	68,961
Exchange difference and other	(667)	–	(18,621)	–	60,829	(19,288)
Balance at 31 December 2004	**(663,965)**	**(897)**	**(3,013,054)**	**(31,869)**	**(127,127)**	**(3,836,913)**
Impairment-						
Balances at 1 January 2004	**(157,970)**	**–**	**(9,424)**	**–**	**(323)**	**(167,717)**
Additions	(2,467)	–	(7,393)	–	–	(9,860)
Retirements	5,887	–	16,817	–	323	23,027
Exchange difference and other	38,525	–	–	–	–	38,525
Balance at 31 December 2004	**(116,025)**	**–**	**–**	**–**	**–**	**(116,025)**
Net tangible assets-						
Balances at 1 January 2004	**1,945,720**	**11,519**	**1,391,088**	**1,445,789**	**304,391**	**3,798,507**
Balances at 31 December 2004	**1,985,518**	**8,171**	**1,344,039**	**162,649**	**439,260**	**3,939,636**

The net tangible asset impairment losses charged to the accompanying consolidated income statements for 2005 and 2004 amounted to EUR 1,589 thousand and EUR 2,135 thousand, respectively.

The gains and losses on tangible asset disposals amounted to EUR 107,838 thousand and EUR 22,477 thousand in 2005 (EUR 102,874 thousand and EUR 22,450 thousand in 2004) and are presented under the headings Others Gains and Others Losses the accompanying consolidated income statements (Note 54).

The carrying amount at 31 December 2005 and 2004 of the tangible assets relating to foreign subsidiaries was EUR 1,825,050 thousand and EUR 1,457,362 thousand, respectively. Also, the amount of the assets held under finance leases on which the purchase option is expected to be exercised was not material at 31 December 2005 and 2004.

The main real estate companies forming part of the consolidated Group are as follows: Anida Desarrollos Inmobiliarios, S.L., Montealiaga, S.A. and Desarrollo Urbanístico de Chamartín S.A.

The contribution of these companies to the consolidated income statement is recorded under Sales and Income from the Provision of Non-Financial Services (Note 50).

The main consolidated Group companies engaging in operating leases are: Finanzia Autorenting, S.A. and Automercantil-Comercio e Aluger de Vehículos Autom., Lda.

21. INTANGIBLE ASSETS

21.1. GOODWILL

The detail, by company, of the changes in 2005 and 2004 in the balance of this heading in the consolidated balance sheets is as follows:

2005	Balance at beginning of year	Additions	Other	Exchange Differences	Balance at end of year
	Thousands of Euros				
Grupo Financiero BBVA Bancomer, S.A. de C.V.	513,589	–	–	103,513	617,102
Laredo Group	–	433,250	–	40,691	473,941
Granahorrar Bank, S.A.	–	266,862	–	–	266,862
Hipotecaria Nacional, S.A. de C.V.	–	223,902	–	35,209	259,111
Provida Group	104,047	–	–	26,151	130,198
BBVA Chile, S.A.	32,349	–	195	7,988	40,532
BBVA Puerto Rico, S.A.	33,741	–	–	5,293	39,034
BBVA (Portugal), S.A.	15,914	–	–	–	15,914
Finanzia, Banco de Crédito, S.A.	5,163	–	–	–	5,163
Valley Bank	5,690	–	(975)	376	5,091
Other companies	–	4,906	–	–	4,906
TOTAL FULLY CONSOLIDATED COMPANIES	**710,493**	**928,920**	**(780)**	**219,221**	**1,857,854**

2004	Balance at beginning of year	Additions	Other	Exchange Differences	Balance at end of year
	Thousands of Euros				
FULLY CONSOLIDATED COMPANIES					
Grupo Financiero BBVA Bancomer, S.A. de C.V.	549,574	–	–	(35,985)	513,589
BBVA Pensiones Chile	84,423	–	–	(1,200)	83,223
Provida Group	54,144	–	–	(971)	53,173
BBVA Puerto Rico, S.A.	36,457	–	–	(2,716)	33,741
BBVA (Portugal), S.A.	15,914	–	–	–	15,914
Finanzia, Banco de Crédito, S.A.	5,163	–	–	–	5,163
Valley Bank	–	6,085	–	(395)	5,690
Other companies					
TOTAL FULLY CONSOLIDATED COMPANIES	**745,675**	**6,085**	**–**	**(41,267)**	**710,493**
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
Banca Nazionale del Lavoro, S.p.A.	250,460	–	(250,460)	–	–
TOTAL	**996,135**	**6,085**	**(250,460)**	**(41,267)**	**710,493**

Based on the estimates and projections available to the Bank's directors, the forecast revenues of these companies attributable to the Group support perfectly the carrying amount of the goodwill recorded.

With regard to the acquisitions made in the year, the assignment of intangible assets EUR 50,200 thousands.

Once the impairment analysis was performed as described in Note 2.2.m) no impairment of goodwill was recorded at 31 December 2005.

21.2. OTHER INTANGIBLE ASSETS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros		Average Useful Life
	2005	2004	
Computer software acquisition expense	44,972	23,438	5
Other deferred charges	80,312	48,865	5
Other intangible assets	92,011	38,287	5
Impairment	(5,100)	–	
Total	**212,195**	**110,591**	

The changes in 2004 and 2005 in the balance of Intangible Assets were as follows:

	Thousands of Euros	
	2005	2004
Balance at beginning of year	**110,591**	**101,653**
Additions	129,202	111,330
Year amortisation	(87,650)	(84,894)
Exchange differences and other	65,152	(17,498)
Impairment	(5,100)	–
Balance at end of year	**212,195**	**110,591**

22. PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME

The detail of the balance of these headings in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Assets-		
Prepaid expenses	199,111	149,532
Other prepayments and accrued income	14,013	256,126
Differences in the pension provision	344,154	312,097
Total	**557,278**	**717,755**
Liabilities-		
Unmatured accrued expenses	1,146,815	867,228
Other accrued expenses and deferred income	562,875	398,552
Total	**1,709,690**	**1,265,780**

23. OTHER ASSETS AND LIABILITIES

The detail of the balances of these headings in the consolidated balance sheets at 31 December 2005 and 2004 was as follows:

	Thousands of Euros	
	2005	2004
Assets		
Inventories(*)	339,472	279,897
Transactions in transit	8,787	25,065
Hacienda Pública	101,197	266,673
Other	1,492,237	1,152,447
Total	**1,941,693**	**1,724,082**
Liabilities		
Transactions in transit	24,211	16,019
Tax collection accounts	2,084,712	2,273,548
Other	580,805	86,411
Total	**2,689,728**	**2,375,978**

(*) The balance of the heading Inventories in the consolidated financial statements relates basically to the following companies: Anida Desarrollos Inmobiliarios, S.L., Montealiaga, S.A. Desarrollo Urbanístico Chamartín, S.A.

24. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of this heading in the consolidated balance sheet at 31 December 2005 and 2004 amounted to EUR 740,088 thousand and EUR 834,350 thousand and related to deposits from other creditors through the so-called unit-linked life insurance policies (in which the policyholder bears the risk).

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY

At 31 December 2005 and 2004 there were no financial liabilities at fair value through equity.

26. FINANCIAL LIABILITIES AT AMORTISED COST

The detail of the items composing the balances of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2005	2004
Deposits from central banks	21,189,193	20,301,105
Deposits from credit institutions	45,125,943	44,048,115
Money markets operations	23,252	657,997
Deposits from other creditors	182,635,181	149,891,799
Debt certificates (including bonds)	62,841,755	45,482,121
Subordinated liabilities	13,723,262	12,327,377
Other financial liabilities	3,966,664	2,875,013
Total	**329,505,250**	**275,583,527**

26.1. DEPOSITS FROM CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets is as follows:

	Thousands of Euros	
	2005	2004
Banco de España		
Credit account drawdowns	6,822,123	11,066,829
Other State debt and Treasury bills under repurchase agreement	385,791	222,092
Other assets under repurchase agreement	8,931,130	4,481,829
Other central banks	5,028,315	4,365,278
Valuation adjustments	21,834	165,077
Total	**21,189,193**	**20,301,105**

At 31 December 2005 and 2004, the financing limit assigned to the Group by the Bank of Spain and other central

banks was EUR 10,003,353 thousand and EUR 13,932,391 thousand, respectively, of which EUR 6,822,123 thousand and EUR 11,249,454 thousand had been drawn down.

26.2. DEPOSITS FROM CREDIT INSTITUTIONS

The breakdown of the balance of this heading in the consolidated balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of Euros	
	2005	2004
Reciprocal accounts	271,075	62,231
Deposits with agreed maturity	28,807,457	25,958,006
Demand deposits	1,053,651	938,790
Other accounts	1,113,102	353,452
Repurchase agreements	13,723,185	16,347,359
Valuation adjustments	157,473	388,277
Total	**45,125,943**	**44,048,115**

The detail, by geographical area, of this heading at 31 December 2005 is as follows:

	Thousands of Euros			
2005	Demand Deposits	Deposits with Agreed Maturity	Funds Received Under Financial Asset Transfers	Total
Europe	1,033,225	14,814,501	8,255,127	24,102,853
United States	68,568	3,670,356	1,649,995	5,388,919
Latin America	1,289,817	2,643,338	3,818,063	7,751,218
Rest of the world	46,218	7,679,262	–	7,725,480
Total	**2,437,828**	**28,807,457**	**13,723,185**	**44,968,470**

The detail, by geographical area, of this heading at 31 December 2004 is as follows:

	Thousands of Euros			
2004	Demand Deposits	Deposits with Agreed Maturity	Funds Received Under Financial Asset Transfers	Total
Europe	888,625	17,896,390	11,110,293	29,895,308
United States	625	173,143	602,011	775,779
Latin America	350,798	2,149,208	4,635,055	7,135,061
Rest of the world	114,425	5,739,265	–	5,853,690
Total	**1,354,473**	**25,958,006**	**16,347,359**	**43,659,838**

26.3. DEPOSITS FROM OTHER CREDITORS

The breakdown of the balance of this heading in the accompanying consolidated balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of Euros	
	2005	2004
General government	**17,673,354**	**11,193,877**
Spanish	9,753,109	4,861,198
Foreign	7,920,245	6,332,679
Other resident sectors -	**79,754,851**	**75,041,094**
Current accounts	20,644,607	21,293,205
Savings accounts	20,628,845	18,235,544
Fixed-term deposits	20,435,029	19,537,882
Reverse repos	12,029,507	12,503,084
Other accounts	5,381,823	2,000,023
Valuation adjustments	635,040	1,288,155
Non-resident sectors	**85,206,976**	**63,840,029**
Current accounts	18,717,430	14,203,508
Savings accounts	11,370,344	7,374,054
Fixed-term deposits	45,266,207	37,894,962
Repurchase agreements	9,215,471	3,981,250
Other accounts	76,512	23,284
Valuation adjustments	561,012	362,971
Total	**182,635,181**	**149,891,799**
Of which:		
In euros	100,623,473	88,987,322
In foreign currency	82,011,708	60,904,477

The detail, by geographical area, of this heading at 31 December 2005 is as follows:

	Thousands of Euros				
2005	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Europe	30,302,830	21,682,976	36,354,699	17,150,477	105,490,982
United States	17,045,731	10,166,885	22,974,535	7,985,834	58,172,985
Latin America	1,007,346	354,453	10,374,599	135,162	11,871,560
Rest of the world	775,704	518,374	4,609,475	49	5,908,602
Total	**49,131,611**	**32,722,688**	**74,313,308**	**25,271,522**	**181,439,129**

The detail, by geographical area, of this heading at 31 December 2004 is as follows:

	Thousands of Euros				
2004	Demand Deposits	Savings Deposits	Deposits with Agreed Maturity	Repos	Total
Europe	29,745,644	18,560,468	27,155,322	13,697,251	89,158,605
United States	648,658	468,762	6,734,521	156	7,852,097
Latin America	13,114,743	6,962,493	22,137,721	3,839,588	46,054,545
Rest of the world	197,899	43,044	4,934,403	–	5,175,346
Total	**43,706,944**	**26,034,767**	**60,961,967**	**17,536,995**	**148,240,673**

26.4. DEBT CERTIFICATES (INCLUDING BONDS)

The breakdown of the balance of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2005	2004
Promissory notes and bills	7,417,516	6,372,310
Bonds and debentures issued:	55,424,239	39,109,811
Mortgage-backed securities	26,926,995	19,036,759
Other non-convertible securities	26,542,102	18,793,732
Valuation adjustments	1,955,142	1,279,320
Total	**62,841,755**	**45,482,121**

26.4.1. Bonds and debentures issued:

The detail, disregarding valuation adjustments, of the balance of this account in the accompanying consolidated balance sheets, based on the currency in which the bonds and debentures are issued, and of the related interest rates is as follows:

	Thousands of Euros	
	2005	2004
In euros-		
Non-convertible bonds and debentures at floating interest rates	18,488,246	13,732,198
Non-convertible bonds and debentures at a weighted fixed interest rate of 4.16%	5,213,827	4,266,690
Covered bonds	26,683,165	18,811,281
Valuation adjustments	1,939,639	1,265,560
In foreign currencies-		
Non-convertible bonds and debentures at floating interest rates	2,613,766	405,956
Non-convertible bonds and debentures at a weighted fixed interest rate of 5.40%	226,263	388,705
Covered bonds	243,830	225,661
Valuation adjustments	15,503	13,760
Total	**55,424,239**	**39,109,811**

The valuation adjustments include mostly adjustments for accrued interest, microhedging transactions and issuance fees.

Most of the foreign-currency issues are denominated in U.S. dollars.

26.4.2. Promissory notes and bills:

These promissory notes were issued mainly by Banco de Financiación, S.A., and the detail thereof, by term and currency, disregarding valuation adjustments, is as follows:

	Thousands of Euros	
	2005	2004
In euros	6,724,347	5,458,822
In other currencies	693,169	913,488
Total	**7,417,516**	**6,372,310**

26.5. SUBORDINATED LIABILITIES

The detail, by company, of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Subordinated debt	9,178,935	8,100,383
Preference shares	4,127,786	3,808,893
Valuation adjustments	416,541	418,101
Total	**13,723,262**	**12,327,377**

In 2005 and 2004 the subordinated debt and preference shares bore interest of EUR 539,027 thousand and EUR 556,121 thousand, respectively (Note 44).

26.5.1. Subordinated debt:

These issues are non-convertible subordinated debt and, accordingly, for debt seniority purposes, they rank behind ordinary debt.

The detail, disregarding valuation adjustments, of the balance of this heading in the accompanying consolidated balance sheets, based on the related issue currency and interest rate, is as follows:

		Thousands of Euros			
ISSUER	Currency	2005	2004	Prevailing Interest Rate 2005	Maturity Date
ISSUES IN EUROS					
BBVA					
July -96	EUR	79,307	84,142	9.33%	22-dic-2006
July -96	EUR	27,332	27,947	9.37%	22-dic-2016
February -97	EUR	60,101	60,101	6.97%	18-dic-2007
September -97	EUR	36,061	36,061	6.65%	17-dic-2007
December -01	EUR	1,500,000	1,500,000	3.50%	1-ene-2017
July -03	EUR	600,390	600,000	2.54%	17-jul-2013
November -03	EUR	749,782	750,000	4.50%	12-nov-2015
October -04	EUR	992,000	1,000,000	4.37%	20-oct-2019
BBVA CAPITAL FUNDING, LTD					
September -95	EUR	–	13,613	3.10%	5-sep-2005
March -97	EUR	45,735	45,735	2.71%	20-mar-2007
October -97	EUR	76,694	76,694	2.38%	8-oct-2007
October -97	EUR	228,588	228,616	6.00%	24-dic-2009
July -99	EUR	73,000	73,000	6.35%	16-oct-2015
February -00	EUR	500,002	500,000	6.38%	25-feb-2010
December -00	EUR	–	750,000	2.71%	4-dic-2010
July -01	EUR	500,002	500,000	5.50%	4-jul-2011
October -01	EUR	60,000	60,000	5.73%	10-oct-2011
October-01	EUR	40,000	40,000	6.08%	10-oct-2016
October -01	EUR	50,000	50,000	2.79%	15-oct-2016
November -01	EUR	55,000	55,000	2.96%	2-nov-2016
December -01	EUR	56,002	56,000	3.18%	20-dic-2016
BBVA SUBORDINATED CAPITAL S.A.U,					
May -05	EUR	480,444	–	2.74%	23-may-2017
October -05	EUR	150,000	–	2.49%	13-oct-2020
October -05	EUR	250,000	–	2.44%	20-oct-2017
ISSUES IN FOREIGN CURRENCIES					
BBVA PUERTO RICO S.A.					
September -04	USD	42,384	36,708	4.20%	23-sep-2014
BBVA BANCO FRANCES S.A.					
March-98	USD	–	4,118	7.07%	31-mar-2005
BBVA GLOBAL FINANCE LTD.					
July -95	USD	–	110,124	6.88%	1-jul-2005
July -95	USD	–	36,708	2.36%	15-ene-2005
December -95	USD	169,535	146,832	7.00%	1-dic-2025
December -95	USD	63,575	55,062	4.48%	9-may-2006
December -95	USD	–	55,062	2.45%	11-may-2005
BANCO BILBAO VIZCAYA ARGENTARIA , CHILE	CLP	172,053	93,552	Various	Various
BBVA BANCOMER S.A.					
November -98	MNX	197,853	157,406	9.44%	28-sep-2006
July -05	USD	420,809		5.38%	22-jul-2015
BBVA CAPITAL FUNDING, LTD					
August -95	JPY	–	21,480	3.45%	9-ago-2010
October -95	USD	–	71,600	5.40%	26-oct-2015
October -95	JPY	72,000	110,124	6.00%	26-oct-2005
February -96	USD	211,918	183,540	6.38%	14-feb-2006
November -96	USD	169,535	146,832	4.89%	27-nov-2006

ISSUER	Currency	Thousands of Euros 2005	2004	Prevailing Interest Rate 2005	Maturity Date
BBVA BANCOMER CAPITAL TRUST INC					
February -01	USD	423,837	364,326	10.50%	16-feb-2011
LNB CAPITAL TRUST I					
November -01	USD	17,801	–	6.44%	8-dic-2031
LNB STATUTORY TRUST I					
December -01	USD	25,430	–	6.64%	18-dic-2031
BBVA SUBORDINATED CAPITAL S.A.U,					
October -05	JPY	144,000	–	2.75%	22-oct-2035
October -05	GBP	437,766	–	4.79%	21-oct-2015
TOTAL		**9,178,935**	**8,100,383**	**–**	**–**

In 2005 and 2004 there were no early redemptions of these issues.

The issues of BBVA Capital Funding, LTD. and BBVA Global Finance, LTD. are guaranteed (secondary liability) by the Bank, and the issue of Bancomer Capital Trust Inc. is guaranteed (secondary liability) by BBVA Bancomer. The issues of LNB Capital Trust 1 and LNB Statutory Trust 1 are guaranteed (secondary liability) by Laredo National Bank.

26.5.2. Preference Shares:

The detail, by company, of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros 2005	2004
BBVA International, LTD. [1]	1,340,000	1,341,230
BBVA Preferred Capital, LTD. [2]	203,447	176,198
BBVA Privanza International (Gibraltar), LTD. (2)	59,339	51,646
BBVA Capital Finance, S.A.	1,975,000	1,980,966
BBVA Capital Funding	–	258,853
BBVA International Preferred, S.A.U.	550,000	–
Total	**4,127,786**	**3,808,893**

[1] Listed on the Spanish AIAF fixed-income market, and the Luxembourg, Frankfurt and Amsterdam stock exchanges.
[2] Listed on the New York Stock Exchange.

The foregoing balances include several issues of non-cumulative non-voting preference shares guaranteed by Banco Bilbao Vizcaya Argentaria, S.A., the detail being as follows:

2005	Currency	Amount Issued (Millions)	Fixed Annual Dividend
BBVA Privanza International (Gibraltar), LTD.- June -97	USD	70	7.765%
BBVA International, LTD.-			
April -01	EUR	340	7.00%
March -02	EUR	500	3.50%
December -02	EUR	500	3.25%
BBVA Preferred Capital, LTD.- June -01	USD	240	7.755%
BBVA Capital Finance, S.A.			
December -03	EUR	350	2.75%
July -04	EUR	500	3.00%
December -04	EUR	1,125	3.00%
BBVA International Preferred, S.A.U. September-05	EUR	550	3.80%

2004	Currency	Amount Issued (Millions)	Fixed Annual Dividend
BBVA Privanza International (Gibraltar), LTD.- June -97	USD	70	7.76%
BBVA International, LTD.-			
April -01	EUR	340	7.00%
March -02	EUR	500	3.50%
December -02	EUR	500	3.25%
BBVA Capital Funding, LTD.- April -98	EUR	256	6.36%
BBVA Preferred Capital, LTD.- June -01	USD	240	7.75%
BBVA Capital Finance, S.A.			
December -03	EUR	350	2.75%
July -04	EUR	500	3.00%
December -04	EUR	1,125	3.00%

During 2005, the EUR 256 millions issued redemption option was exercised BBVA Capital Funding, LTD.

These issues were subscribed by third parties outside the Group and are wholly or partially redeemable at the Company's option after five or ten years from the issue date, depending on the terms of each issue.

27. LIABILITIES UNDER INSURANCE CONTRACTS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Technical provisions for:		
Mathematical reserves	9,023,585	7,026,605
Provision for unpaid claims reported	419,123	125,682
Other insurance technical provisions	1,057,859	962,142
Total	**10,500,567**	**8,114,429**

28. PROVISIONS

The detail of the balance of this heading in the consolidated balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Provisions for pensions and similar obligations	6,239,744	6,304,284
Provisions for taxes	146,971	173,229
Provisions for contingent exposures and commitments	452,462	348,782
Other provisions	1,861,908	1,565,553
Total	**8,701,085**	**8,391,848**

The changes in 2005 and 2004 in the balances of the headings Provisions – Provisions for Pensions and Provisions – Other Provisions in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros					
	2005			2004		
	Provision for Pensions and similar obligation	Commitments and contingent risks provisions	Provisions for taxes and other provisions	Provision for Pensions and similar obligation	Commitments and contingent risks provisions	Provisions for taxes and other provisions
Balance at beginning of year	**6,304,284**	**348,782**	**1,738,782**	**6,481,288**	**279,708**	**1,874,006**
Add-						
Year provision with a charge to income for the year	646,948	114,028	278,249	883,638	126,173	424,578
Acquisition of subsidiaries	–	–	42,355	–	–	497
Transfers and other Changes	97,630	9,566	317,849	4,714	1,412	330,248
Less-						
Available funds	–	(12,378)	(160,048)	–	(12,673)	(153,465)
Payments to early Retirees (Note 2.2.f)	(777,746)			(658,904)		
Provisions used and other changes	(31,372)	(7,536)	(204,761)	(406,452)	(45,802)	(649,401)
Transfer	–	–	–	–	(36)	(87,474)
Disposal of subsidiaries	–	–	(3,547)	–	–	(207)
Balances at end of Year	**6,239,744**	**452,462**	**2,008,879**	**6,304,284**	**348,782**	**1,738,782**

The year provisions for pensions charged to income in 2005 under the headings "interest expenses and similar charges", "personal expenses" and "provision expenses" in the consolidated income statement amounted to EUR 255,370, 68,893 and 322,685 thousand. The amount charged in this respect in 2004 was EUR 210,342, 58,982 and 614,314 thousand (Note 2.2.f).

Also, year provisions totalling EUR 278,249 thousand relating to the heading Provisions - Other Provisions were recorded in 2005 in the accompanying consolidated income statement. The amount charged in this respect in 2004 was EUR 424,578 thousand.

29. MINORITY INTERESTS

The detail, by consolidated company, of the balance of the heading Minority Interests is as follows:

	Thousands of Euros	
	2005	2004
By company-		
BBVA Colombia Group	16,467	14,059
BBVA Chile Group	120,998	87,615
BBVA Banco Continental Group	222,304	171,035
BBVA Banco Provincial Group	203,860	165,485
Provida Group	70,544	52,921
Banc Internacional d'Andorra, S.A.	185,713	142,677
Other companies	151,604	103,747
Total	**971,490**	**737,539**

The detail, by consolidated company, of the balance of the heading Income Attributed to Minority Interests is as follows:

	Thousands of Euros	
	2005	2004
By company-		
BBVA Colombia Group	4,166	2,943
BBVA Chile Group	13,526	4,829
BBVA Banco Continental Group	59,689	39,721
BBVA Banco Provincial Group	47,279	65,834
Provida Group	18,169	8,831
Banc Internacional d'Andorra, S.A.	41,607	34,264
Other companies	79,711	29,191
Total	**264,147**	**185,613**

30. CHANGES IN TOTAL EQUITY

The changes in equity in the years ended 31 December 2005 and 2004 were as follows:

Thousands of Euros

2005	Share Capital	Reserves	Profit for the Year	Treasury Shares and Other Equity Instruments	Valuation Adjustments	Minority Interests	Interim Dividends	Total Equity
Balances at 1 January 2005	**1,661,518**	**7,427,737**	**2,922,596**	**(35,846)**	**2,106,914**	**737,539**	**(1,015,195)**	**13,805,263**
Valuation adjustments	–	–	–	–	604,889	2,569	–	607,458
Distribution of prior Years' profit	–	1,427,165	(1,427,165)	–	–		–	–
Dividends	–	–	(1,495,431)	–	–	(9,312)	1,015,195	(489,548)
Gains or losses on transactions involving treasury shares and other Equity instruments	–	34,093	–	(60,334)	–	(626)	–	(26,867)
Profit for the year	–	–	3,806,425	–	–		(1,166,644)	2,639,781
Dividends paid to minority shareholders	–	–	–	–	–	(55,010)	–	(55,010)
Changes in the composition of the Group	–	–	–	–	–	(7,612)	–	(7,612)
Exchange differences	–	–	–	–	583,152	42,750	–	625,902
Share of minority interests in profit for the year	–	–	–	–	–	264,147	–	264,147
Other	–	(58,447)	–	–	–	(2,955)	–	(61,402)
Balances at 31 December 2005	**1,661,518**	**8,830,548**	**3,806,425**	**(96,180)**	**3,294,955**	**971,490**	**(1,166,644)**	**17,302,112**

2004	Share Capital	Reserves	Profit for the Year	Treasury Shares and Other Equity Instruments	Valuation Adjustments	Minority Interests	Interim Dividends	Total Equity
	Thousands of Euros							
Balances at 1 January 2004	**1,565,968**	**5,780,075**	**2,226,701**	**(82,001)**	**1,691,325**	**1,917,164**	**(859,896)**	**12,239,336**
Valuation adjustments	–	–	–	–	604,032	9,154	–	613,186
Distribution of prior years' profit	–	977,264	(977,264)	–	–	–	–	–
Dividends	–	–	(1,249,437)	–	–	(48,621)	859,896	(438,162)
Gains or losses on transactions involving treasury shares and other equity instruments	–	–	–	46,155	–	–	–	46,155
Profit for the year	–	–	2,922,596	–	–	–	(1,015,195)	1,907,401
Capital increases and reductions	95,550	1,903,200	–	–	–	11,556	–	2,010,306
Dividends paid to minority shareholders	–	–	–	–	–	(63,074)	–	(63,074)
Changes in the composition of the Group	–	(1,375,898)	–	–	–	(1,224,655)	–	(2,600,553)
Exchange differences	–	–	–	–	(188,443)	23,716	–	(164,727)
Share of minority interests in profit for the year	–	–	–	–	–	185,613	–	185,613
Other	–	143,096	–	–	–	(73,314)	–	69,782
Balances at 31 December 2004	**1,661,518**	**7,427,737**	**2,922,596**	**(35,846)**	**2,106,914**	**737,539**	**(1,015,195)**	**13,805,263**

31. CAPITAL STOCK

At 31 December 2005, the capital of Banco Bilbao Vizcaya Argentaria, S.A. amounted to EUR 1,661,517,501.07, and consisted of 3,390,852,043 fully subscribed and paid registered shares of EUR 0.49 par value each.

There were no variations in capital in the year from 1 January and 31 December 2005. In February 2004, as a result of the tender offer launched on 40.6% of the capital stock of BBVA Bancomer, S.A., capital was increased through the issuance of 195,000,000 shares, with a price per share of €10.25 (consisting of a par value of €0.49 and additional paid-in capital of €9.76).

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are quoted on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich and Milan stock markets, and on 19 August 2005 were admitted for listing on the Mexican stock market.

Also, at 31 December 2005, the shares of BBVA Banco Continental, S.A., Banco Provincial C,A,, BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida were quoted on their respective local stock markets and, in the case of the last two entities, on the New York Stock Exchange.

In addition, BBVA Banco Francés, S.A. is quoted on the Latin-American market of the Madrid Stock Exchange.

On 16 May 2005, the Board of Directors of BBVA Chile resolved to delist BBVA Chile from the New York Stock Exchange.

At 31 December 2005, no individual shareholder owned more than 5% of the capital of the Bank.

At the Annual General Meeting on 28 February 2004 the shareholders resolved to delegate to the Board of Directors, in accordance with Article 153.1.b) of the Spanish Corporations Law, the power to increase capital, on one or several occasions, by a maximum par value equal to 50% of the Company's subscribed and paid capital at the date of the resolution, i.e. EUR 830,758,750.54. The legally stipulated year within which the directors can carry out this increase is five years. At 31 December 2005, the Board of Directors had not made use of this power.

At 31 December 2005, the resolutions adopted by the shareholders at the Annual General Meetings on 1 March 2003 and 9 March 2002 were still in force. These resolutions authorized the issuance of up to EUR 6,000 million of debentures convertible to and/or exchangeable for Bank shares and empowered the Board of Directors to issue, on one or several occasions, warrants on shares of the Company up to a maximum of EUR 1,500 million, fully or partially convertible to or exchangeable for Company shares. At 31 December 2005, no issues had been made under these authorisations.

At the BBVA Special General Meeting held on 14 June 2005 the shareholders resolved to increase the Bank's capital by a par value of EUR 260,254,745.17 to cater for the consideration

established in the tender offer for the acquisition of up to 2,655,660,664 ordinary shares of Banca Nazionale del Lavoro S.p.A. and delegated to the Board of Directors the power to carry out the capital increase within a maximum year of one year from the date of the resolution. At 31 December 2005, this capital increase had not taken place.

In addition to the aforementioned resolutions, at the Annual General Meetings held in February 2004 and February 2005, the shareholders authorized the Board of Directors, for a year of five years, to issue fixed-income securities of any class or type, up to a maximum of EUR 121,750 million.

At 31 December 2005, there were no significant capital increases in progress at any of the Group companies.

32. SHARE PREMIUM

The balance of this heading in the consolidated balance sheet amounts to EUR 6,658,390 thousand and includes, inter alia, the amounts of the share premiums arising from the capital increases and the surpluses arising from the merger of Banco Bilbao, S.A. and Banco Vizcaya, S.A., amounted to EUR 641,142 thousands.

The revised Spanish Corporations Law expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

33. RESERVES

The breakdown of the balance of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2005	2004
Legal reserve	332,303	313,194
Restricted reserve for retired capital	87,918	87,918
Restricted reserve for Parent Company shares	356,821	20,826
Restricted reserve for redenomination of capital in euros	1,861	1,861
Revaluation Royal Decree-Law 7/1996	176,281	176,281
Voluntary reserves	1,046,670	1,277,638
Consolidation reserves attributed to the Bank and dependents companies	170,163	(1,132,584)
Total	**2,172,158**	**745,134**

33.1. LEGAL RESERVE

Under the revised Corporations Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches 20% of capital. This limit had already been reached by Banco Bilbao Vizcaya Argentaria, S.A. at 31 December 2005. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

33.2. RESTRICTED RESERVES

Pursuant to the revised Corporations Law and to Law 46/1998 on the introduction of the euro, the respective restricted reserves were recorded in relation to treasury shares held by the Group, customer loans secured by Bank shares, the reduction of the par value of each share in April 2000 and the redenomination of capital in euros.

33.3. REVALUATION ROYAL DECREE-LAW 7/1996 (ASSET REVALUATIONS)

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the asset revaluation provisions of the applicable enabling legislation. In addition, on 31 December 1996, the Bank revalued its tangible assets pursuant to Royal Decree-Law 7/1996 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing measurements. The resulting increases in the cost and accumulated depreciation of tangible assets and, where appropriate, in the cost of equity securities, were allocated as follows:

	Thousands of Euros
	2005
Legal revaluations of tangible assets:	
Cost	
Less -	186,692
Single revaluation tax (3%)	(5,601)
Balance at 31 December 1999	181,091
Adjustment as a result of review by the tax authorities in 2000	(4,810)
Total	**176,281**

Following the review of the balance of the account Revaluation Reserve Royal Decree-Law 7/1996 by the tax authorities in 2000, this balance can only be used, free of tax, to offset recorded losses and to increase capital through 1 January 2007. From that date, the remaining balance of this account can also be taken to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognised. If this balance were

used in a manner other than that described above, it would be subject to tax.

33.4. RESERVES AND LOSSES AT CONSOLIDATED COMPANIES

The breakdown, by company or corporate group, of the balances of these headings in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2005	2004
Fully and proportionately consolidated companies:	**5,382,488**	**4,102,068**
BBVA Bancomer Group	2,228,304	1,752,690
BBVA Continental Group	84,936	66,868
Provida Group	231,836	235,555
BBVA Colombia Group	181,438	159,783
BBVA Banco Francés Group	367,701	338,750
BBVA Chile Group	(2,849)	1,439
BBVA Banco Provincial Group	146,566	102,756
Banco Bilbao Vizcaya Argentaria Uruguay, S.A.	(464)	2,538
BBVA International Investment Corporation	(432,772)	(423,816)
Banc International D'Andorra, S.A.	141,733	103,257
Banco Bilbao Vizcaya Argentaria (Portugal), S.A.	(100,472)	(106,397)
Banco Bilbao Vizcaya Argentaria Puerto Rico	183,272	168,651
BBVA Suiza (BBVA Switzerland)	145,860	121,679
BBVA Seguros, S.A.	230,428	70,024
Finanzia, Banco de Crédito, S.A.	71,880	61,212
Banco Industrial de Bilbao, S.A.	87,067	85,101
BBVA Privanza Bank (Jersey), Ltd.	66,957	64,787
BBVA Luxinvest, S,A	699,585	688,489
Cartera e Inversiones S.A., Cia, De	238,309	44,361
Corporación General Financiera, S.A.	458,307	393,429
Corporación Industrial y Servicios, S.L.	27,948	110,150
Cidessa UNO, S.L.	67,362	71,002
BBVA Ireland, P.L.C.	71,071	61,917
Bilbao Vizcaya América B,V,	(266,936)	(217,321)
BBVA Cartera de Inversiones	58,220	56,405
Anida Grupo Inmobiliario	189,292	184,575
BBVA Pensiones Chile, S.A.	13,139	(53,619)
Compañía Chilena de Inversiones	(61,423)	(68,710)
BBVA Puerto Rico Holding Corporation	(165,288)	(165,264)
SEAF, Sociedad de Estudios y Análisis Financieros S,A	59,648	59,129
BBV América,S.L.	247,958	161,748
Bilbao Vizcaya Holding, S.A.	24,096	9,269
BBVA Renting, S.A.	49,557	38,715
Corporación Alimentación y Bebidas, S.A.	18,532	10,470
BBVA Factoring E,F,C, S.A.	44,576	33,441
BBVA Patrimonios Gestora, SGIIC, S.A.	19,447	10,609
Almacenes Generales de Depósitos, S.A.E, DE	82,195	26,175
Banco,de Crédito Local, S.A.	(263,601)	(267,153)
BBVA Participaciones Internacional, S.L.	42,829	37,726
Anida Desarrollos Inmobilarios ,S.L.	22,427	(37,731)
Ibertrade, LTD.	(53,960)	(41,948)
Other	127,777	151,327
Companies accounted for using the equity method:	**238,915**	**300,941**
Onexa, S.A. De C.V.	(324)	(21,006)
Banca Nazionale de Lavoro, S.p.A.	(124,882)	66,084
Corporación IBV Participaciones Empresariales, S.A.	298,098	197,603
Tubos Reunidos, S.A.	49,653	47,964
Other	16,370	10,296
Total	**5,621,403**	**4,403,009**

For the purpose of allocating the reserves and accumulated losses at consolidated companies shown in the foregoing table, the transfers of reserves arising from the dividends paid and the writedowns or transactions between these companies are taken into account in the year in which they took place.

In the individual financial statements of the subsidiaries giving rise to the balances recorded under the heading Reserves and Losses at Consolidated Companies - Fully and Proportionately Consolidated Companies" shown in the foregoing table, at 31 December 2005 and 2004, EUR 1,556,797 thousand and EUR 1,162,989 thousand were treated as restricted reserves, all of which are reflected as restricted reserves for Parent Company shares.

34. TREASURY SHARES

In 2005 and 2004 the Group companies performed the following transactions involving Bank shares:

	Number of Shares	Thousands of Euros
Balance at 31 December 2003	**7,493,411**	**82,001**
+ Purchases	277,652,703	3,213,465
- Sales	(282,272,150)	(3,266,937)
+/- Other	–	7,317
Balance at 31 December 2004	**2,873,964**	**35,846**
+ Purchases	279,496,037	3,839,510
- Sales	(274,760,734)	(3,756,669)
+/- Other	–	(5,976)
Balance at 31 December 2005	**7,609,267**	**112,711**
Balance of options sold on BBVA shares		**(16,390)**
Total		**96,321**

The average purchase price of the Bank's shares in 2005 was EUR 13.74 per share and the average selling price of the Bank's shares in 2005 was EUR 13.80 per share.

The net gains or losses on transactions with shares issued by the Bank were recognised in equity under the heading Reserves. At 31 December 2005, the gains on transactions involving treasury shares amounted to EUR 34,234 thousand.

35. TAX MATTERS

A) CONSOLIDATED TAX GROUP

Pursuant to current legislation, the Consolidated Tax Group includes Banco Bilbao Vizcaya Argentaria, S.A., as the Parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

The Group's other banks and subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

B) YEARS OPEN FOR REVIEW BY THE TAX AUTHORITIES

At 31 December 2005 and 2004, the Consolidated Tax Group had 2001 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In general, the other Spanish consolidated companies, except for those at which the statute-of-limitations year has been interrupted by the commencement of a tax audit, have the last four years open for review by the tax authorities for the main taxes applicable to them.

In 2005, as a result of the tax audit conducted by the tax authorities, tax assessments were issued against several Group companies for the years up to and including 2000, some of which were signed on a contested basis. After considering the temporary nature of certain of the items assessed, the amounts, if any, that might arise from these assessments were provisioned in full in at 2005 year-end.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Banks' Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefrom would not materially affect the Group's consolidated financial statements.

C) RECONCILIATION

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the corporation tax expense recognised is as follows:

	Thousands of Euros	
	2005	2004
Corporation tax at 35%	1,957,114	1,447,894
Decreases due to permanent differences:		
Tax credits and tax relief at consolidated Companies	(360,446)	(501,273)
Other items, net	10,837	250,572
Net increases (decreases) due to temporary differences	(263,481)	80,231
Charge for income tax and other taxes	1,344,024	1,277,424
Deferred tax assets and liabilities recorded (utilised)	263,481	(80,231)
Income tax and other taxes accrued in the year	1,607,505	1,197,193
Adjustments to prior years' income tax and other Taxes	(86,324)	(168,562)
Income tax and other taxes	1,521,181	1,028,631

The effective tax rate is as follows:

	Thousands of Euros	
	2005	2004
Consolidated Tax Group	2,771,398	2,651,930
Other Spanish entities	56,277	54,593
Foreign entities	2,764,078	1,430,317
	5,591,753	4,136,840
Income tax	1,521,181	1,028,631
Effective tax rate	**27.20%**	**24.87%**

D) TAX RECOGNISED IN EQUITY

In addition to the income tax recognised in the consolidated income statements, in 2005 and 2004 the Group recognised the following amounts in consolidated equity:

	Thousands of Euros	
	2005	2004
Charges to equity		
Fixed-income portfolio	(179,245)	(197,278)
Equity portfolio	(1,018,056)	(881,992)
Credits to equity		
Other	55,796	–
Total	**(1,141,505)**	**(1,079,270)**

E) DEFERRED TAXES

The balance of the heading Tax Assets in the consolidated balance sheets includes the tax receivables relating to deferred tax assets; in turn, the balance of the heading Tax Liabilities includes the liability relating to the Group's various deferred tax liabilities.

The detail of these balances is as follows:

	Thousands of Euros	
	2005	2004
Deferred tax assets:	**6,420,745**	**5,590,696**
Of which:		
Pensions commitments	1,645,126	1,289,825
Portfolio	1,129,248	1,196,557
Loan loss provisions	1,195,382	1,431,655
Tax losses and other	1,300,780	1,657,077
Deferred tax liabilities:	**2,100,023**	**1,620,795**
Of which:		
Free depreciation and other	(1,218,567)	(1,170,362)

F) TAX ASSESSMENTS ISSUED TO BBVA SEGUROS, S.A. AND SENORTE VIDA Y PENSIONES, S.A.

In 1990, 1994 and 1995, tax assessments for 1986 to 1990 were issued to BBVA Seguros, S.A. (formerly Euroseguros, S.A.) and Senorte Vida y Pensiones, S.A. totalling EUR 88,066 thousand of principal and EUR 39,072 thousand of late-payment interest, plus EUR 66,057 thousand of penalties, after correction pursuant to the revised General Tax Law. The companies filed pleadings and appeals against the assessments and several administrative decisions and court rulings were handed down in 1997 through 2000. As a result of application of the criteria set forth in these court rulings, some of which have been appealed against by the Group and by the Spanish tax authorities, the tax debts would be reduced to EUR 50,677 thousand of principal and EUR 19,851 thousand of interest. In order to file these appeals, the Bank provided guarantees totalling EUR 97,876 thousand to the tax authorities. In 2003 further court rulings were handed down, which have been appealed against. However, the Bank's directors and legal advisers consider that, in any case, the possible effects of these rulings would not materially affect the consolidated financial statements and, additionally, in accordance with the accounting principle of prudence, adequate provisions have been recorded therefor. Lastly, in 2005 the check relating to Senorte Vida y Pensiones was completed with no material effect on the Group.

36. RESIDUAL MATURITY OF TRANSACTIONS

Following is a detail, by maturity, of the balances of certain headings in the consolidated balance sheets at 31 December 2005 and 2004:

2005	Thousands of Euros						
	Total	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
ASSETS -							
Cash and balances with central banks	12,341,317	2,408,841	9,932,476	–	–	–	–
Loans and receivables:							
Of Which:							
Loans and advances to credit Institutions	27,470,224	920,809	14,406,234	7,074,788	3,600,686	1,255,227	212,480
Loans and advances to other debtors	216,850,480	1,957,316	20,319,977	19,169,107	32,436,869	56,711,286	86,255,924
Other financial assets	2,784,054	2,784,054	–	–	–	–	–
Fixed income portfolio	81,726,639	–	2,630,394	5,260,788	18,341,691	32,144,671	23,349,094
LIABILITIES -							
Financial liabilities at amortised cost:							
Deposits from central banks	21,189,193	11,872,272	9,316,921	–	–	–	–
Deposits from credit institutions	45,125,943	5,095,717	25,207,663	9,072,826	3,280,331	1,959,966	509,441
Money market operations through Counterparties	23,252	–	23,252	–	–	–	–
Deposits from other creditors	182,635,181	83,166,800	34,282,998	8,893,767	9,625,098	46,127,859	538,659
Debt certificates including bonds	62,841,755	–	5,977,138	29,117,419	2,708,442	16,326,244	8,712,512
Subordinated liabilities	13,723,232	–	–	628,459	510,270	947,181	11,637,352
Other financial liabilities	3,966,664	3,966,664	–	–	–	–	–

37. FAIR VALUE OF ASSETS AND LIABILITIES

Following is a comparison of the carrying amounts of the Group's financial assets and liabilities and their respective fair values at year-end:

2005	Thousands of Euros	
	Book value	Fair Value
Assets		
Cash and balances with central banks	12,341,317	12,341,317
Financial assets held for trading	44,011,781	44,011,781
Other financial assets at fair value through profit or loss	1,421,253	1,421,253
Available-for-sale financial assets	60,033,988	60,033,988
Loans and receivables	249,396,647	249,514,581
Held-to-maturity investments	3,959,265	4,035,248
Hedging derivatives	3,912,696	3,912,696
Liabilities		
Financial liabilities held for trading	16,270,865	16,270,865
Other financial liabilities at fair value through profit or loss	740,088	740,088
Financial liabilities at amortised cost	329,505,250	323,015,482
Hedging derivatives	2,870,086	2,870,086

2004	Thousands of Euros	
	Book value	Fair Value
Assets		
Cash and balances with central banks	10,123,090	10,123,090
Financial assets held for trading	47,036,060	47,036,060
Other financial assets at fair value through profit or loss	1,059,490	1,059,490
Available-for-sale financial assets	53,003,545	53,003,545
Loans and receivables	196,892,203	197,226,006
Held-to-maturity investments	2,221,502	2,264,421
Hedging derivatives	4,723,450	4,723,450
Liabilities		
Financial liabilities held for trading	14,134,413	14,134,413
Other financial liabilities at fair value through profit or loss	834,350	834,350
Financial liabilities at amortised cost	275,583,527	274,821,153
Hedging derivatives	3,131,572	3,131,572

38. FINANCIAL GUARANTEES AND DRAWABLE BY THIRD PARTIES

The memorandum items Contingent Exposures and Contingent Commitments in the consolidated balance sheets include the amounts that would be payable by the consolidated entities on behalf of third parties if the parties originally obliged to pay fail to do so, in connection with the commitments assumed by those entities in the course of their ordinary business.

The breakdown of the balances of these items at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Contingent exposures-	29,861,597	21,557,649
Collateral, bank guarantees and indemnities	25,789,616	17,573,555
Rediscounts, endorsements and acceptances	41,742	38,921
Other	4,030,239	3,945,173
Contingent Commitments-	89,498,392	66,762,402
Drawable by third parties:	85,001,452	60,716,878
Credit institutions	2,816,351	2,665,031
General government sector	3,127,773	1,637,821
Other resident sectors	36,062,799	29,617,468
Non-resident sector	42,994,529	26,796,558
Other commitments	4,496,940	6,045,524
Total	**119,359,989**	**88,320,051**

Since a significant portion of these amounts will reach maturity without any payment obligation materializing for the consolidated companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Group to third parties.

Income from the guarantee instruments is recorded under the heading Fee and Commission Income in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

39. ASSETS ASSIGNED TO OTHER OWN AND THIRD-PARTY OBLIGATIONS

At 31 December 2005 and 2004, the face amount of the assets owned by the consolidated entities pledged as security for own transactions, amounted to €64,440,394 thousand and €52,768,056 thousand, respectively, and related basically to the pledge of certain assets as security for financing liabilities with the Bank of Spain and to a portion of the assets asigned to mortgage bond issues, which pursuant to the Mortgage Market Law are admitted as security for obligation to third parties.

40. OTHER CONTINGENT ASSETS

As of December 31, 2005 and 2004, there is no significant contingent assets registered in consolidated financial statements attached.

41. PURCHASE AND SALE COMMITMENTS

The financial instruments sold with a commitment to subsequently repurchase them are not derecognized from the consolidated balance sheets and the amount received from the sale is considered financing from third parties.

At 31 December 2005 and 2004, the consolidated entities had sold financial assets totalling EUR 48,311,628 thousand and EUR 37,836,241 thousand, respectively, with a commitment to subsequently repurchase them, and had purchased financial assets totalling EUR 13,636,016 thousand and EUR 6,718,828 thousand, respectively, with a commitment to subsequently resell them.

42. TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

The detail of the most significant items composing this heading is as follows:

	Thousands of Euros	
	2005	2004
Financial instruments entrusted by third parties	502,274,442	448,515,742
Asset transfers	7,055,351	4,069,224
Derecognised in full from the balance sheet	1,587,209	2,096,440
Retained in full on the balance sheet	5,468,142	1,972,784
Conditional bills and other securities received for collection	3,765,253	3,879,312
Off-balance-sheet customer funds Managed by the Group	143,888,172	124,498,577
- Investment companies and mutual funds	59,002,787	51,040,176
- Pension funds	53,958,782	41,490,401
- Customer portfolios managed on a discretionary basis	30,926,603	31,968,000
Total	**656,893,218**	**581,227,053**

43. INTEREST AND SIMILAR INCOME

The breakdown of the most significant interest and similar income earned by the Group in 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Central banks	458,272	275,282
Loans and advances to credit institutions	713,779	747,330
Loans and advances to other debtors:	10,190,534	7,809,691
General government	436,905	393,969
Resident sector	4,852,472	4,298,604
Non-resident sector	4,901,157	3,117,118
Debt securities	3,624,304	3,310,590
Rectification of income as a result of hedging transactions	530,136	(31,843)
Other income	330,649	241,288
Total	**15,847,674**	**12,352,338**

44. INTEREST EXPENSE AND SIMILAR CHARGES

The breakdown of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Bank of Spain and other central banks	288,006	287,884
Deposits from credit institutions	1,985,215	1,499,735
Deposits from other creditors	4,070,843	2,962,928
Debt certificates (including bonds)	2,454,517	1,913,658
Promissory notes, bills and debt securities	1,898,396	1,374,631
Subordinated liabilities	556,121	539,027
Rectification of expenses as a result of hedging transactions	(303,826)	(546,747)
Cost attributable to pension funds (Note 2,f)	255,370	210,342
Other charges	182,075	120,144
Total	**8,932,200**	**6,447,944**

45. INCOME FROM EQUITY INSTRUMENTS

The amount recorded under this heading relates in full to dividends from other shares and equity instruments, which amounted to EUR 292,495 thousand at 31 December 2005 and EUR 255,146 thousand at 31 December 2004.

46. FEE AND COMMISSION INCOME

The breakdown of the balance of this heading in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2005	2004
Commitment fees	50,130	40,875
Contingent liabilities	176,745	159,484
Documentary credits	31,418	26,875
Bank and other guarantees	145,327	132,609
Arising from exchange of foreign currencies and banknotes	17,752	16,589
Collection and payment services	2,018,500	1,732,119
Securities services	1,947,746	1,739,055
Counselling on and management of one-off transactions	16,423	14,906
Financial and similar counselling services	10,790	6,482
Factoring transactions	18,815	17,041
Non-banking financial products sales	40,424	46,388
Other fees and commissions	371,799	284,042
Total	**4,669,124**	**4,056,981**

47. FEE AND COMMISSION EXPENSES

The breakdown of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Brokerage fees on lending and deposit transactions	12,843	8,449
Fees and commissions assigned to third parties	519,302	429,884
Other fees and commissions	196,983	205,626
Total	**729,128**	**643,959**

48. INSURANCE ACTIVITY INCOME

This heading in the accompanying consolidated income statement reflects the contribution of the consolidated insurance and reinsurance companies to the Group's gross income. The detail of the balance of this heading is as follows:

	Thousands of Euros	
	2005	2004
Premium income	2,916,831	2,062,030
Finance income	904,318	708,901
Reinsurance premiums paid	(63,403)	(71,931)
Benefits paid and other insurance-related expenses	(1,785,514)	(1,704,113)
Finance expense	(255,254)	(199,059)
Net provisioning expense	(1,274,283)	(413,744)
Impairment losses on assets and insurance and reinsurance receivables	44,228	8,534
Total	**486,923**	**390,618**

49. GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The detail of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Financial assets held for trading	897,484	1,110,551
Financial assets at fair value through profit or loss	33,022	1,296
Available-for-sale financial assets	428,560	974,412
Loans and receivables	129,203	13,932
Other operating assets	(508,105)	(1,338,334)
Total	**980,164**	**761,857**

The breakdown, by type, of the financial instruments which gave rise to the above balances is as follows:

	Thousands of Euros	
	2005	2004
Debt instruments	48,354	346,232
Equity instruments	1,111,223	817,505
Loans and advances to other debtors	193,399	–
Derivatives	(415,128)	(455,172)
Deposits from other creditors	(318)	–
Other	42,634	53,292
Total	**980,164**	**761,857**

50. SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES AND COST OF SALES

These headings of the accompanying consolidated statements of income show, respectively, sales of assets and income from the provision of services that constitute the typical activity of non-financial consolidated entities forming part of the Group and the related costs of sales. The main lines of business of these entities are as follows:

	Thousands of Euros			
	2005		2004	
	Sales/ Income	Cost of Sales	Sales/ Income	Cost of Sales
Real estate	285,323	214,763	226,296	132,455
Services and other	291,050	235,831	241,940	209,290
Total	**576,373**	**450,594**	**468,236**	**341,745**

51. PERSONNEL EXPENSES

The detail of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Wages and salaries	2,743,684	2,459,582
Social security costs	471,799	436,651
Transfers to internal pension provisions (Note 2.2.f)	68,893	58,982
Contributions to external pension funds (Note 2.2.f)	55,813	57,419
Other personnel expenses	262,053	234,416
Total	**3,602,242**	**3,247,050**

The average number of employees in the Group, by professional category and country, was as follows:

	2005	2004
Spanish banks		
- Executives	1,087	1,054
- Other line personnel	21,807	21,427
- Clerical staff	7,429	7,954
- Abroad	674	662
	30,997	**31,097**
Companies abroad		
- Mexico	24,721	24,688
- Venezuela	5,568	5,779
- Argentina	3,428	3,396
- Colombia	3,487	3,327
- Peru	2,358	2,308
- Other	5,561	4,483
	45,123	**43,981**
Pension fund managers	**7,078**	**5,415**
Other non-banking companies	**7,546**	**4,211**
	90,744	**84,704**

52. OTHER ADMINISTRATIVE EXPENSES

The breakdown of the balance of this heading in the consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Technology and systems	434,274	411,524
Communications	202,578	182,552
Advertising	211,677	143,706
Property, fixtures and materials	415,421	361,368
Taxes other than income tax	213,210	152,775
Other expenses	683,318	598,920
Total	**2,160,478**	**1,850,845**

The heading Property, Fixtures and Materials includes expenses relating to operating leases of buildings amounting to EUR 157,804 thousand and EUR 139,241 thousand in 2005 and 2004, respectively. The consolidated companies do not expect to terminate the lease contracts early.

The balance of the heading Other Administrative Expenses in the foregoing table includes the audit fees paid by the Group companies to their respective auditors, the detail for 2005 being as follows:

	Thousands of Euros
Audits of the companies audited by firms belonging to the Deloitte worldwide organisation	7,660
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organisation	1,205
Fees for audits conducted by other firms	2,385

The detail of the other services provided to the various Group companies in 2005 is as follows:

	Thousands of Euros
Firms belonging to the Deloitte worldwide organisation	1,787
Other firms	5,428

53. FINANCE INCOME AND EXPENSES FROM NON-FINANCIAL ACTIVITIES

The amount recorded under these headings relates in full to finance income and expenses from the Group's real estate and renting companies and amounted to revision of services that constitute the typical activity of non-financial consolidated entities forming part of the Group and amounted to EUR 641 thousand and EUR 4,025 thousand at 31 December 2005 and 2004, respectively.

54. OTHER GAINS AND OTHER LOSSES

The breakdown of the balances of these headings in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2005	2004
Losses	**208,279**	**271,220**
Net losses on fixed asset disposals	22,477	22,450
Net losses on long-term investments due to write-downs	11,751	9,127
Other losses	174,051	239,643
Income	**284,816**	**622,180**
Net gains on sales of held-to-maturity investments	107,838	102,874
Net gains on sale of long-term investments	40,157	317,510
Income from the provision of non-typical services	3,852	4,733
Other income	132,969	197,063
Total	**76,537**	**350,960**

55. TRANSACTIONS WITH NON-CONSOLIDATED ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

55.1. TRANSACTIONS WITH BBVA GROUP

The balances of the main aggregates in the consolidated financial statements arising from the transactions carried out by the Group with associated and jointly controlled companies (Note 2.1-b and c), which consist of ordinary business and financial transactions carried out on an arm's-length basis, in 2005, are as follows:

	Thousands of Euros	
CONCEPTOS	2005	2004
Assets:		
Due from credit institutions	4,636	594
Total net lending	267,654	227,206
Liabilities:		
Due to credit institutions	1,966	134
Deposits	19,070	47,208
Debt certificates (including bonds)	256,881	82,363
Memorandum accounts:		
Contingent liabilities	35,218	97,694
Commitments and contingents liabilities	44,133	96,439
Statement of income:		
Financial Revenues	7,745	6,230
Financial Expenses	5,569	1,705

There are no other material effects on the financial statements of the Group arising from dealings with these companies, other than the effects arising from using the equity method (Note 2.1-c), and from the insurance policies to cover pension or similar commitments (Note 2.2-f).

At 31 December 2005 and, the notional amount of the futures transactions arranged by the Group with the main related companies amounted to approximately EUR 7,619,019 thousand and EUR 5,047,704 thousand, respectively.

In addition, as part of its normal activity, the Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the consolidated financial statements.

55.2. TRANSACTIONS WITH KEY ENTITY PERSONNEL

The information on the remuneration of key personnel (members of the Board of Directors of BBVA, S.A. and of the Management Committee) is included in Note 8.

The loans granted at 31 December 2005, to members of the Board of Directors of BBVA, S.A. totalled EUR 698 thousand. At 31 December 2005, no guarantees had been provided on their behalf.

The loans granted at 31 December 2005, to 18 members of the Management Committee, excluding the executive directors, amounted to EUR 4,249 thousand. At 31 December 2005, no guarantees had been provided on behalf of members of the Management Committee.

At 31 December 2005, the loans granted to parties related to key personnel (the aforementioned members of the Board of Directors of BBVA, S.A. and of the Management Committee) totalled EUR 10,324 thousand. At 31 December 2005, the other exposure to parties related to key personnel (guarantees, finance leases and commercial loans) amounted to EUR 22,712 thousand.

The demand and time deposits held on an arm's length basis as part of BBVA's ordinary banking business by directors, Management Committee members and their related parties totalled EUR 6,838 thousand at 31 December 2005.

In addition, BBVA and other Group companies, in the normal course of their business and in their capacity as financial institutions, habitually perform transactions with members of the Board of Directors of BBVA, S.A. and of the Management Committee and their respective related parties. All these transactions, which are scantly material, are conducted on an arm's length basis.

The provisions recorded at 31 December 2005 to cover post-employment benefit obligations to the members of the Management Committee, excluding the executive directors, amounted to EUR 50,292 thousand, of which EUR 12,538 thousand were charged to 2005 income.

55.3. TRANSACTIONS WITH OTHER RELATED PARTIES

There are no other material transactions with other related parties.

56. OTHER INFORMATION

On 22 March 2002, BBVA notified the supervisory authorities of the stock markets on which its shares are listed that the Bank of Spain had commenced a proceeding against BBVA and 16 of its former directors and executives. These proceedings arose as a result of the existence of funds belonging to BBV that were not included in the entity's financial statements until they were voluntarily regularized by being recorded in the 2000 consolidated income statement as extraordinary income, for which the related corporation tax was recorded and paid. These funds totalled Ptas, 37,343 million (approximately EUR 225 million) and arose basically from the gains on the sale of shares of Banco de Vizcaya, S.A. and Banco Bilbao Vizcaya, S.A. from 1987 to 1992, and on the purchase and sale by BBV of shares of Argentaria, Caja Postal and Banco Hipotecario, S.A. in 1997 and 1998.

After dissolving the legal vehicles where the unrecorded funds were located and including the funds in its accounting records, BBVA notified the Bank of Spain of these matters on 19 January 2001. The Bank of Spain's supervisory services commenced an investigation into the origin of the funds, their use and the persons involved, the findings of which were included in the supervisory services' report dated 11 March 2002.
On 15 March 2002, the Bank of Spain notified the Bank of the commencement of a proceeding relating to these events.

On 22 May 2002, the Council of the Spanish National Securities Market Commission (CNMV) commenced a proceeding against BBVA for possible contravention of the Securities Market Law (under Article 99 ñ) thereof) owing to the same events as those which gave rise to the Bank of Spain's proceeding.

Since various court proceedings are in progress to determine the possible criminal liability of the persons involved in the aforementioned events, the conduct of the two administrative proceedings was stayed until the final court decision is handed down.

At the date of preparation of these consolidated financial statements, none of the persons party to the proceedings or prosecuted in relation to the events referred to above was a member of the Board of Directors or the Management Committee or held executive office at BBVA, BBVA is not party to the criminal proceedings and no charges or claim for liability have been levelled against the Bank.

The proceedings DP 161/00 initiated in 2000 relating to the alleged participation of certain BBVA Privanza Bank employees in purported tax offences resulting from the marketing of BBVA Privanza Jersey fiduciary products, as well as to the purported tax

offence by BBVA, S.A. for not including in its balance sheet the net assets of Canal Trust Company (a wholly-owned subsidiary of BBVA Privanza) are still at the initial investigative stage.

The Group's legal advisers do not expect the aforementioned administrative and criminal proceedings to have any material impact on the Bank.

57. DETAIL OF THE DIRECTORS' HOLDINGS IN COMPANIES WITH SIMILAR BUSINESS ACTIVITIES

Pursuant to Article 127 ter. of the Spanish Corporations Law, introduced by Law 26/2003 of 17 July amending Securities Market Law 24/1988 of 28 July, and the revised Corporations Law, in order to reinforce the transparency of listed companies, set forth below are the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of BBVA, in which the members of the Board of Directors have a direct or indirect ownership interest.

		Ownership Interest	
Surname(s) and First Name	Company	Number of Shares	Type of Ownership Interest
Breeden, Richard C.	–	–	–
Bustamante y de la Mora, Ramón	–	–	–
Fernández Rivero, José Antonio	–	–	–
Ferrero Jordi, Ignacio	Santander Central Hispano	10,800	Indirect
	Banco Popular Español	2,950	Indirect
Goirigolzarri Tellaeche, José Ignacio	–	–	–
González Rodríguez, Francisco	Bancoval	76,040	Indirect
Knörr Borrás, Román	Santander Central Hispano	14,724	Indirect
Lacasa Suárez, Ricardo	Banco Popular Español	91,440	Direct
Loring Martínez de Irujo, Carlos	–	–	–
Maldonado Ramos, José	–	–	–
Medina Fernández, Enrique	Banco Popular Español	3,212	Indirect
	Royal Bank of Scotland	754	Indirect
	Santander Central Hispano	3,659	Indirect
Rodríguez Vidarte, Susana	–	–	–
San Martín Espinós, José María	Santander Central Hispano	1,009	Direct
Vilá Boix, Ángel (Telefónica de España, S.A.)	Banco Sabadell	3,125	Direct
	BNP Paribas	500	Direct

58. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of EU-IFRSs, as adopted by the European Union, Certain accounting practices applied by the Group that conform with EU-IFRSs may not conform with other generally accepted accounting principles.

APPENDIX I

ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Thousands of Euros (*)

COMPANY	Location	Activity	% of Voting Rights Controlled by the Bank			Investee Data				
			Direct	Indirect	Total	Net Carrying Amount	Assets at 31/12/05	Liabilities at 31/12/05	Equity at 31/12/05	Profit (Loss) for the Period Ended 31/12/05
(ASA) AG, DE SEGUROS DE ARGENTARIA, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	1,368	6,738	4,663	1,949	126
ADM. DE FONDOS PARA EL RETIRO-BANCOMER, S.A. DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	390,181	239,004	54,838	113,016	71,150
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	211,542	423,563	117,640	255,966	49,957
AFP GENESIS ADMINISTRADORA DE FONDOS, S.A.	ECUADOR	PENSIONS	0.00	100.00	100.00	1,982	2,867	800	840	1,227
AFP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	32,378	46,445	13,833	13,938	18,674
AFP PREVISION BBV-ADM. DE FONDOS DE PENSIONES, S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,063	8,401	2,418	3,166	2,817
ALMACENADORA FINANCIERA PROVINCIAL	VENEZUELA	SERVICES	0.00	100.00	100.00	996	1,464	467	740	257
ALMACENADORA INTERNACIONAL, C.A.	VENEZUELA	SERVICES	0.00	100.00	100.00	–	–	–	–	–
ALMACENES GENERALES DE DEPOSITO, S.A.E. DE	SPAIN	PORTFOLIO	83.90	16.10	100.00	12,649	97,379	3,067	65,460	28,852
ALTITUDE INVESTMENTS LIMITED	UNITED KINGDOM	FINANCIAL SERV.	51.00	0.00	51.00	225	1,040	468	437	135
ALTURA MARKETS, A.V., S.A.	SPAIN	SECURITIES	50.00	0.00	50.00	5,000	629,900	608,413	12,041	9,446
ANCLA INVESTMENTS, S.A.	PANAMA	NO ACTIVITY	0.00	100.00	100.00	9	7,004	4	6,827	173
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	0.00	100.00	100.00	112,477	273,340	105,914	134,606	32,820
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	198,357	430,760	20,089	385,280	25,391
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	0.00	100.00	100.00	19,592	19,982	1	20,671	(690)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.	0.00	100.00	100.00	18,920	18,945	1	18,648	296
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.	0.00	100.00	100.00	577	1,042	483	1,532	(973)
APLICA TECNOLOGIA AVANZADA	MEXICO	SERVICES	100.00	0.00	100.00	4	50,489	49,854	(1,580)	2,215
APOYO MERCANTIL S.A. DE C.V.	MEXICO	REAL EST. INSTR.	0.00	100.00	100.00	41	1,759	1,718	14	27
ARAGON CAPITAL, S.L.	SPAIN	PORTFOLIO	99.90	0.10	100.00	37,924	29,190	–	28,089	1,101
ARGENTARIA SERVICIOS, S.A.	CHILE	SERVICES	100.00	0.00	100.00	676	1,434	10	1,517	(93)
ASERLOCAL, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	43	44	1	45	(2)
ASSEGURANCES PRINCIPAT, S.A.	ANDORRA	INSURANCE	0.00	100.00	100.00	6,503	677,931	665,089	10,543	2,299
ASSUREX, S.A.	ARGENTINA	INSURANCE	87.49	12.50	99.99	60	3,416	3,352	129	(65)
ATUEL FIDEICOMISOS, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	3,762	3,880	119	4,308	(547)
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM, LDA.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	17,217	78,596	68,339	9,664	593
BAHIA SUR RESORT, S.C.	SPAIN	REAL ESTATE	99.95	0.00	99.95	1,436	1,438	15	1,423	–
BANC INTERNACIONAL D'ANDORRA, S.A.	ANDORRA	BANKING	0.00	51.00	51.00	15,528	2,595,735	2,211,346	301,016	83,373
BANCA MORA, S.A. (1)	ANDORRA	BANKING	0.00	100.00	100.00	–	–	–	30,060	–
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	PANAMA	BANKING	54.11	44.81	98.92	19,461	781,786	644,543	140,629	(3,386)
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	9.52	90.48	100.00	210,727	4,600,062	4,380,591	210,135	9,336
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	59.70	6.92	66.62	261,144	6,430,691	5,955,281	433,253	42,157
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO	PUERTO RICO	BANKING	0.00	100.00	100.00	117,609	5,934,648	5,522,114	383,289	29,245
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	0.00	100.00	26,955	405,665	372,366	37,981	(4,682)
BANCO CONTINENTAL, S.A.	PERU	BANKING	0.00	92.08	92..08	342,512	4,526,480	4,154,524	273,805	98,151
BANCO DE CREDITO LOCAL, S.A.	SPAIN	BANKING	100.00	0.00	100.00	509,597	12,268,153	11,967,946	249,814	50,393
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	0.00	99.81	99.81	15,146	32,451	208	31,857	386
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	0.00	100.00	100.00	1,595	1,024,043	981,486	(5,753)	48,310
BANCO GRANAHORRAR	COLOMBIA	BANKING	0.00	98.78	98.78	158,136	1,430,378	1,273,939	161,967	(5,528)
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	0.00	99.93	99.93	97,215	186,998	382	179,456	7,160
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	15,252	16,529	1,184	15,183	162
BANCO PROVINCIAL OVERSEAS N.V.	NETHERLANDS ANTILLES	BANKING	0.00	100.00	100.00	29,942	367,186	337,245	26,006	3,935
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.75	55.60	180,224	4,985,333	4,559,898	321,174	104,261
BANCO UNO-E BRASIL, S.A.	BRAZIL	BANKING	100.00	0.00	100.00	16,166	30,134	4,197	23,999	1,938
BANCOMER ASSET MANAGEMENT INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	2	2	1	1	–
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	4,660	6,250	1,589	6,422	(1,761)

Thousands of Euros (*)

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			Direct	Indirect	Total	Net Carrying Amount	Assets at 31/12/05	Liabilities at 31/12/05	Equity at 31/12/05	Profit (Loss) for the Period Ended 31/12/05
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	2,775	3,120	345	2,437	338
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	18	24	7	24	(7)
BANCOMER SECURITIES INTERNATIONAL INC.	UNITED STATES	FINANCIAL SERV.	10.00	90.00	100.00	6,179	5,708	1,291	3,575	842
BANCOMER TRANSFER SERVICE	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	24,024	92,080	68,057	12,431	11,592
BANCOMERCIO SEGUROS, S.A. AGENCIA DE SEGUROS	SPAIN	SERVICES	99.99	0.01	100.00	60	81	1	80	–
BANINBAO DE INVERSIONES, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	1,581	1,582	–	1,561	21
BANKER INVESTMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	970	988	18	861	109
BBV AMERICA FUND MANAGER LTD.	CAYMAN ISLANDS	NO ACTIVITY	0.00	100.00	100.00	405	16,607	2	16,373	232
BBV AMERICA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	479,328	491,627	–	402,452	89,175
BBV BANCO DE FINANCIACION S.A.	SPAIN	BANKING	0.00	100.00	100.00	64,200	7,330,769	7,262,187	68,172	410
BBV DESARROLLO 92, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	–	149	–	139	10
BBV SECURITIES HOLDINGS, S.A.	SPAIN	PORTFOLIO	99.86	0.14	100.00	30,562	66,084	35,523	31,084	(523)
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURITIES	70.00	0.00	70.00	1,331	6,495	4,097	1,691	707
BBVA ADMINISTRADORA GENERAL DE FONDOS, S.A.	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	15,954	17,225	1,261	15,208	756
BBVA AMERICA FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	54,434	54,378	47	9
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	45.65	30.45	76.10	48,384	4,099,646	3,597,924	469,509	32,213
BBVA BANCOMER CAPITAL TRUST I,	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	13,702	460,012	446,904	13,108	–
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	45,070	56,241	10,845	44,419	977
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	99.99	99.99	16,812	32,266	15,452	7,808	9,006
BBVA BANCOMER HOLDING CORPORATION	UNITED STATES	PORTFOLIO	100.00	0.00	100.00	19,836	3,981	–	3,224	757
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	515	6,045	5,530	324	191
BBVA BANCOMER SERVICIOS, S.A.	MEXICO	BANKING	0.00	100.00	100.00	353,952	369,629	15,678	292,100	61,851
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	0.00	100.00	100.00	4,397,098	99,846,523	95,445,181	3,773,933	627,409
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	337	6,175	1,176	2,852	2,147
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	1,988,662	1,988,517	118	27
BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	–	2,195,352	2,193,331	1,941	80
BBVA CARTERA DE INVERSIONES, SICAV, S.A.	SPAIN	PORTFOLIO	74.84	0.00	74.84	46,876	143,572	162	140,421	2,989
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.15	19.22	95.37	157,429	3,462,889	3,196,557	229,172	37,160
BBVA CONSOLIDAR SALUD, S.A.	ARGENTINA	INSURANCE	20.38	79.62	100.00	9,274	20,415	11,169	8,795	451
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	5,973	24,136	11,973	11,191	972
BBVA CORREDORA TECNICA DE SEGUROS BHIF LTDA.	CHILE	SERVICES	0.00	100.00	100.00	13,401	14,773	1,365	10,363	3,045
BBVA CORREDORES DE BOLSA, S.A.	CHILE	SECURITIES	0.00	100.00	100.00	22,215	227,007	204,700	20,886	1,421
BBVA CORREDURIA TECNICA ASEGURADORA, S.A.	SPAIN	SERVICES	99.94	0.06	100.00	297	12,024	5,787	4,166	2,071
BBVA CRECER AFP, S.A.	DOMINICAN REPUBLIC	FINANCIAL SERV.	35.00	35.00	70.00	1,783	8,797	2,356	8,074	(1,633)
BBVA DINERO EXPRESS, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	2,186	4,492	2,234	2,053	205
BBVA E-COMMERCE, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	30,879	37,865	4,010	30,800	3,055
BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.	SPAIN	FINANCIAL SERV.	50.00	0.00	50.00	600	3,415	2,257	1,200	(42)
BBVA ELCANO EMPRESARIAL, S.C.R., S.A.	SPAIN	FINANCIAL SERV.	50.00	0.00	50.00	600	3,927	2,769	1,200	(42)
BBVA FACTORING E.F.C., S.A.	SPAIN	FINANCIAL SERV.	0.00	100.00	100.00	126,447	5,407,949	5,222,148	171,023	14,778
BBVA FIDUCIARIA , S.A.	COLOMBIA	FINANCIAL SERV.	0.00	99.99	99.99	8,411	9,050	610	7,290	1,150
BBVA FINANCE (DELAWARE) INC.	UNITED STATES	FINANCIAL SERV.	100.00	0.00	100.00	110	437	–	449	(12)
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERV.	0.00	100.00	100.00	3,324	17,372	4,701	12,286	385
BBVA FINANCE SPA,	ITALY	FINANCIAL SERV.	100.00	0.00	100.00	4,648	5,383	196	4,930	257
BBVA FUNDOS	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	998	4,267	516	2,191	1,560
BBVA GEST	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	998	5,384	470	3,247	1,667
BBVA GESTION, SOCIEDAD ANONIMA, SGIIC	SPAIN	FINANCIAL SERV.	17.00	83.00	100.00	11,436	221,092	132,887	19,659	68,546
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	–	2,622,340	2,618,295	3,899	146
BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A.	COLOMBIA	PENSIONS	78.52	21.43	99.95	34,837	58,650	13,096	33,978	11,576
BBVA HORIZONTE, S.A.	PANAMA	NO ACTIVITY	90.00	0.00	90.00	3,304	4,594	78	4,252	264

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BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL EST. INSTR.	0.00	68.11	68.11	2,213	23,835	20,586	3,924	(675)
BBVA INSERVEX, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	1,205	2,953	13	2,741	199
BBVA INTERNATIONAL INVESTMENT CORPORATION	PUERTO RICO	FINANCIAL SERV.	100.00	0.00	100.00	2,769,952	2,528,252	53	2,332,255	195,944
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	1	1,349,780	1,346,585	3,295	(100)
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	553,131	553,069	60	2
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCIAL SERV.	100.00	0.00	100.00	180,381	5,599,770	5,326,835	261,207	11,728
BBVA LUXINVEST. S.A	LUXEMBOURG	PORTAFOLIO	36.00	64.00	100.00	255,843	999,362	33,998	951,399	13,965
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	0.00	100.00	–	1	–	1	–
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	99.99	0.00	99.99	22,598	276,318	241,326	25,540	9,452
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	SPAIN	FINANCIAL SERV.	92.69	7.31	100.00	273,366	320,948	1,248	314,666	5,034
BBVA PATRIMONIOS GESTORA SGIIC, S.A.	SPAIN	FINANCIAL SERV.	99.99	0.01	100.00	3,907	33,877	2,158	23,354	8,365
BBVA PENSIONES CHILE, S.A.	CHILE	PENSIONS	32.23	67.77	100.00	281,182	371,774	19,065	364,395	(11,686)
BBVA PENSIONES, S.A., ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSIONS	100.00	0.00	100.00	12,922	131,782	95,537	25,938	10,307
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERV.	80.00	20.00	100.00	1	461	6	405	50
BBVA PREFERRED CAPITAL	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	1	204,505	203,447	790	268
BBVA PRIVANZA BANK (JERSEY), LTD.	CHANNEL ISLANDS	NO ACTIVITY	0.00	100.00	100.00	20,610	1,338,237	1,238,948	90,560	8,729
BBVA PRIVANZA INTERNATIONAL (GIBRALTAR) LTD.	GIBRALTAR	NO ACTIVITY	0.00	100.00	100.00	8,523	83,128	4,276	78,247	605
BBVA PROMOCIONES, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	354	1,099	143	740	216
BBVA RE LIMITED	IRELAND	INSURANCE	0.00	100.00	100.00	656	36,482	28,501	4,896	3,085
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	0.00	100.00	100.00	20,976	458,990	378,069	70,534	10,387
BBVA RESEARCH, S.A.	SPAIN	FINANCIAL SERV.	99.99	0.01	100.00	501	2,850	2,175	567	108
BBVA SECURITIES HOLDINGS (UK) LIMITED	UNITED KINGDOM	FINANCIAL SERV.	0.00	100.00	100.00	395	6,722	6,353	561	(192)
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	31,329	35,053	3,954	30,573	526
BBVA SECURITIES LTD.	UNITED KINGDOM	FINANCIAL SERV.	0.00	100.00	100.00	3,701	7,098	2,967	3,994	137
BBVA SECURITIES OF PR, INC.	PUERTO RICO	FINANCIAL SERV.	100.00	0.00	100.00	4,726	5,709	436	5,603	(330)
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE	0.00	100.00	100.00	23,884	163,746	139,861	20,225	3,660
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	13,087	106,006	83,355	16,274	6,377
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	9,279	33,305	21,617	10,963	725
BBVA SEGUROS INC.	PUERTO RICO	SERVICES	0.00	100.00	100.00	212	2,972	848	1,085	1,039
BBVA SEGUROS, S.A.	SPAIN	INSURANCE	97.16	2.78	99.94	380,398	12,938,302	12,241,553	546,604	150,145
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	12,357,115	12,356,974	56	85
BBVA SOCIEDAD LEASING HABITACIONAL BHIF	CHILE	FINANCIAL SERV.	0.00	97.48	97.48	10,071	23,327	12,996	9,789	542
BBVA SUBORDINATED CAPITAL, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	130	1,489,012	1,488,938	126	(52)
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	39.72	60.28	100.00	55,066	541,574	311,009	204,411	26,154
BBVA TRADE, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	6,379	21,940	276	9,474	12,190
BBVA VALORES GANADERO, S.A. COMISIONISTA DE BOLSA	COLOMBIA	FINANCIAL SERV.	0.00	100.00	100.00	3,380	3,788	242	3,023	523
BBVA, INSTITUICAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	40,417	260,318	231,105	27,880	1,333
BBVAPR HOLDING CORPORATION	UNITED STATES	PORTFOLIO	100.00	0.00	100.00	255,804	118,361	7	118,394	(40)
BCL INTNAL, FINC. LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	0.00	100.00	100.00	–	194,478	194,423	300	(245)
BCL PARTICIPACIONES, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	1,908	1,909	–	2,171	(262)
BEX AMERICA FINANCE INCORPORATED	UNITED STATES	NO ACTIVITY	100.00	0.00	100.00	–	1	1	–	–
BEXCARTERA, SICAV, S.A.	SPAIN	PORTFOLIO	0.00	80.68	80.68	9,331	13,035	78	12,777	180
BHIF ASESORIAS Y SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV.	0.00	98.60	98.60	9,090	9,907	688	7,168	2,051
BI-BM GESTIO D'ACTIUS, S.A.	ANDORRA	FINANCIAL SERV.	0.00	30.30	30.30	301	3,334	627	(4,337)	7,044
BIBJ MANAGEMENT, LTD	CHANNEL ISLANDS	NO ACTIVITY	0.00	100.00	100.00	–	–	–	–	–
BIBJ NOMINEES, LTD	CHANNEL ISLANDS	NO ACTIVITY	0.00	100.00	100.00	–	–	–	–	–
BILBAO VIZCAYA AMERICA BV	NETHERLANDS	FINANCIAL SERV.	0.00	100.00	100.00	371,143	371,661	518	330,284	40,859
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89.00	11.00	100.00	34,771	64,222	6,484	43,191	14,547
BILBAO VIZCAYA INVESTMENT ADVISORY COMPANY	LUXEMBOURG	FINANCIAL SERV.	100.00	0.00	100.00	77	12,772	1,571	10,347	854
BROOKLINE INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	33,969	32,461	461	31,578	422

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BVBJ PENSION TRUSTEES (JERSEY)LIMITED	CHANNEL ISLANDS	NO ACTIVITY	0.00	100.00	100.00	–	–	–	–	–
CANAL INTERNATIONAL HOLDING (NETHERLANDS) BV	NETHERLANDS	NO ACTIVITY	0.00	100.00	100.00	494	8,710	22	3,736	4,952
CANAL TRUST COMPANY, LTD.	CHANNEL ISLANDS	NO ACTIVITY	0.00	100.00	100.00	36	1,289	149	890	250
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	PORTFOLIO	100.00	0.00	100.00	60,541	431,784	83,905	18,542	329,337
CASA DE BOLSA BBV - PROBURSA, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	91,411	130,830	39,414	58,467	32,949
CASA DE CAMBIO MULTIDIVISAS, S.A. DE C.V.	MEXICO	NO ACTIVITY	0.00	100.00	100.00	215	215	1	212	2
CASA DE CAMBIO PROBURSA, S.A. DE C.V.	MEXICO	NO ACTIVITY	0.00	89.56	89.56	–	15	15	–	–
CATYA INVESTMENTS LIMITED	CAYMAN ISLANDS	NO ACTIVITY	0.00	100.00	100.00	8	760	–	879	(119)
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	NO ACTIVITY	0.00	100.00	100.00	108	213	3	377	(167)
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	11,167	13,218	2,050	11,636	(468)
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	4,754	251,752	183,524	71,679	(3,451)
CIERVANA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	53,164	54,349	186	53,166	997
CLINICA BAZTERRICA, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	4,336	11,255	6,920	4,257	78
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTAFOLIO	100.00	0.00	100.00	232,976	173,618	2,025	169,266	2,327
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	66,405	98,052	24,338	68,916	4,798
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	33,465	117,181	74,879	36,467	5,835
CONSOLIDAR CIA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33.33	66.67	100.00	8,681	444,922	430,767	11,728	2,427
CONSOLIDAR CIA. DE SEGUROS DE VIDA, S.A.	ARGENTINA	INSURANCE	34.04	65.96	100.00	15,186	77,442	53,799	21,050	2,593
CONSOLIDAR COMERCIALIZADORA, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	102	1,830	1,727	221	(118)
CONSULTORES DE PENSIONES BBV, S.A.	SPAIN	PENSIONS	0.00	100.00	100.00	175	945	115	831	(1)
CONTINENTAL BOLSA, SDAD, AGENTE DE BOLSA, S.A.	PERU	SECURITIES	0.00	100.00	100.00	2,746	3,861	1,115	2,009	737
CONTINENTAL S.A. TITULIZADORA	PERU	SERVICES	0.00	100.00	100.00	730	734	4	724	6
CONTINENTAL, S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCIAL SERV.	0.00	100.00	100.00	3,668	3,967	299	3,171	497
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	11	8,115	8,104	11	–
CORPORACION DE ALIMENTACION Y BEBIDAS, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	138,508	151,819	1,246	150,505	68
CORPORACION DE SERVICIOS LOGISTICOS, S.A.	SPAIN	NO ACTIVITY	87.64	12.36	100.00	1,355	1,407	34	1,351	22
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	452,431	962,835	17,077	807,276	138,482
CORPORACION INDUSTRIAL Y DE SERVICIOS, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	1,251	121,304	8,390	(176,378)	289,292
CREDILOGROS COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	29.95	70.05	100.00	9,725	27,011	16,202	9,143	1,666
DESARROLLADORA Y VENDEDORA DE CASAS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.	0.00	100.00	100.00	43	45	1	44	–
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE	0.00	72.50	72.50	19,900	42,984	15,562	27,598	(176)
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,523	1,632	108	1,465	59
DEUSTO, S.A. DE INVERSION MOBILIARIA	SPAIN	PORTFOLIO	0.00	100.00	100.00	11,202	11,203	–	10,834	369
DINERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	13,492	13,578	92	16,035	(2,549)
EDIFICIO LINARES, S.L.	SPAIN	REAL ESTATE	100.00	0.00	100.00	5,360	5,239	222	5,589	(572)
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	0.00	98.76	98.76	5,989	8,590	2,538	5,592	460
EL OASIS DE LAS RAMBLAS, S.L.	SPAIN	REAL ESTATE	0.00	70.00	70.00	2,800	13,854	10,134	3,778	(58)
ELANCHOVE, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	1,500	3,819	1,361	3,226	(768)
EMPRESA INSTANT CREDIT, C.A	VENEZUELA	SERVICES	0.00	100.00	100.00	–	–	–	–	–
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRAZIL	FINANCIAL SERV.	100.00	0.00	100.00	–	717	6,385	(1,769)	(3,899)
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SPAIN	SERVICES	0.00	51.00	51.00	31	31	–	31	–
EUROPEA DE TITULIZACION, S.A., SDAD. GEST. DE FDOS. DE TITUL.	SPAIN	FINANCIAL SERV.	82.97	0.00	82.97	1,506	5,450	565	3,096	1,789
EURORISK, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	60	61,230	60,001	1,041	188
EXPLOTACIONES AGROPECUARIAS VALDELAYEGUA, S.A.	SPAIN	REAL ESTATE	0.00	100.00	100.00	10,000	9,982	(8)	9,960	30
FACTOR MULTIBA, S.A. DE C.V.	MEXICO	NO ACTIVITY	0.00	100.00	100.00	1	38	38	–	–
FACTORAJE PROBURSA, S.A. DE C.V.	MEXICO	NO ACTIVITY	0.00	100.00	100.00	(22)	1	23	519	(541)
FIDEICOMISO 29763-0 SOCIO LIQUIDADOR OP. FINAN. POSICION PRO	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	8,768	8,946	178	7,054	1,714

Thousands of Euros (*)

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			Direct	Indirect	Total	Net Carrying Amount	Assets at 31/12/05	Liabilities at 31/12/05	Equity at 31/12/05	Profit (Loss) for the Period Ended 31/12/05
FIDEICOMISO 29764-8 SOCIO LIQUIDADOR POSICION DE TERCEROS	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	28,081	25,661	350	22,812	2,499
FIDEICOMISO 474031 MANEJO DE GARANTIAS	MEXICO	SERVICES	0.00	100.00	100.00	3	3	–	3	–
FIDEICOMISO BANCO FRANCES	ARGENTINA	FINANCIAL SERV.	100.00	0.00	100.00	–	1,933	1,175	909	(151)
FIDEICOMISO CENTRO CORPORATIVO REGIONAL F/47433-8	MEXICO	SERVICES	0.00	100.00	100.00	15,247	26,686	11,439	20,051	(4,804)
FIDEICOMISO INGRAL	COLOMBIA	SERVICES	0.00	100.00	100.00	166	891	2	892	(3)
FIDEICOMISO INVEX 228	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	–	87,012	87,011	1	–
FIDEICOMISO INVEX 367	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	–	43,496	43,496	–	–
FIDEICOMISO INVEX 393	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	–	44,062	44,062	–	–
FIDEICOMISO INVEX 411	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	–	41,083	41,083	–	–
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	SERVICES	100.00	0.00	100.00	51	46	–	47	(1)
FINANCIERA ESPAÑOLA, S.A.	SPAIN	PORTFOLIO	85.85	14.15	100.00	4,522	5,370	–	5,182	188
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	0.00	85.00	85.00	14,369	548,808	521,988	25,710	1,110
FINANZIA, BANCO DE CREDITO, S.A.	SPAIN	BANKING	0.00	100.00	100.00	56,203	3,116,913	2,976,305	114,559	26,049
FINTEGRA FINANCIAL SOLUTIONS, LLC	UNITED STATES	FINANCIAL SERV.	0.00	51.51	51.51	791	2,695	1,159	1,306	230
FORO LOCAL, S.L.	SPAIN	SERVICES	0.00	60.13	60.13	2	18	13	5	–
FRANCES ADMINISTRADORA DE INVERSIONES, S.A. G.F.C. INVERS.	ARGENTINA	FINANCIAL SERV.	0.00	100.00	100.00	3,197	4,064	867	3,831	(634)
FRANCES VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	100.00	100.00	2,583	2,998	415	1,859	724
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	INSURANCE	0.00	100.00	100.00	136	227	90	134	3
GENERAL DE PARTICIPACIONES EMPRESARIALES	SPAIN	PORTAFOLIO	65.68	34.32	100.00	1,215	2,082	–	1,757	325
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSIONS	70.00	0.00	70.00	8,830	22,825	1,780	19,086	1,959
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	150	950	327	550	73
GFB SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,972	1,976	4	1,861	111
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	1,509	1,921	409	1,800	(288)
GRAN JORGE JUAN, S.A.	SPAIN	NO ACTIVITY	100.00	0.00	100.00	10,115	10,288	175	10,114	(1)
GRANFIDUCIARIA	COLOMBIA	FINANCIAL SERV	0.00	90.00	90.00	–	382	236	153	(7)
GRELAR GALICIA. S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	4,216	4,216	–	4,138	78
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	48.96	51.00	99.96	6,282,065	5,769,753	3,151	4,907,308	859,294
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	UNITED STATES	REAL EST. INSTR.	0.00	100.00	100.00	187	194	5	194	(5)
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	245,382	1,492,700	1,263,700	159,668	69,332
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00	0.00	50.00	123,019	393,559	7	301,760	91,792
HOMEOWNERS LOAN CORPORATION	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	10,690	43,432	32,695	20,399	(9,662)
HTI TASK, S.L.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	227	227	–	224	3
IBERDROLA SERVICIOS FINANCIEROS, E.F.C. S.A.	SPAIN	FINANCIAL SERV.	0.00	84.00	84.00	7,290	9,104	61	8,984	59
IBERTRADE, LTD.	CHANNEL ISLANDS	SERVICES	0.00	100.00	100.00	615	34,051	21,000	(11,861)	24,912
INGENIERIA EMPRESARIAL MULTIBA	MEXICO	SERVICES	0.00	99.99	99.99	–	–	–	–	–
INICIATIVAS RESIDENCIALES EN INTERNET, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	3,676	2,530	979	2,877	(1,326)
INMOBILIARIA ASUDI, S.A.	SPAIN	REAL EST. INSTR.	99.99	0.01	100.00	2,817	2,916	44	2,817	55
INMOBILIARIA BILBAO, S.A.	SPAIN	REAL ESTATE	0.00	100.00	100.00	3,436	3,521	84	3,444	(7)
INMOBILIARIA Y PROMOTORA RURAL MEXIQUENSE, S.A. DE C.V.	MEXICO	REAL ESTATE	0.00	73.66	73.66	9,543	21,582	958	20,631	(7)
INMUEBLES Y RECUPERACIONES CONTINENTAL	PERU	REAL EST. INSTR.	0.00	100.00	100.00	25,297	25,482	184	24,474	824
INVERAHORRO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	474	482	1	474	7
INVERSIONES ALDAMA, C.A	VENEZUELA	REAL STATE	0.00	100.00	100.00	–	–	–	–	–
INVERSIONES BANPRO INTERNATIONAL INC. NV	NETHERLANDS ANTILLES	FINANCIAL SERV.	48.01	0.00	48.01	11,390	31,947	97	27,861	3,989
INVERSIONES BAPROBA, C.A,	VENEZUELA	SERVICES	100.00	0.00	100.00	1,307	1,777	133	1,361	283
INVERSIONES MOBILIARIAS, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	660	673	–	659	14
INVERSIONES P.H.R.4. C.A,	VENEZUELA	REAL ESTATE	0.00	60.46	60.46	–	59	–	59	–
INVERSIONES T, C.A	VENEZUELA	SERVICES	0.00	100.00	100.00	–	–	–	–	–

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INVERSIONES TRECE, C.A,	VENEZUELA	SERVICES	0.00	100.00	100.00	–	–	–	–	–
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	0.00	99.91	99.91	2	51,137	3,820	44,432	2,885
JARDINES DE SARRIENA, S.L.	SPAIN	REAL ESTATE	0.00	84.91	84.91	2,293	6,477	3,819	2,661	(3)
LAREDO NATIONAL BANCSHARES, INC.	UNITED STATES	PORTFOLIO	100.00	0.00	100.00	666,883	776,620	45,137	728,008	3,475
LAREDO NATIONAL BANCSHARES OF DELAWARE, INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	734,432	734,432	1	729,995	4,436
LAREDO NATIONAL BANK	UNITED STATES	BANKING	0.00	100.00	100.00	734,425	3,456,591	2,722,149	729,633	4,809
LEASIMO SOCIEDADE DE LOCACAO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	11,576	97,389	86,688	9,564	1,137
LNB CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	554	18,456	17,902	527	27
LNB STATUTORY TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	789	26,299	25,510	753	36
MARQUES DE CUBAS 21, S.L.	SPAIN	REAL ESTATE	100.00	0.00	100.00	2,869	7,290	4,825	2,589	(124)
MEDITERRANIA DE PROMOCIONS I GESTIONS INMOBILIARIES, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	649	2,754	2,103	2,152	(1,501)
MERCURY BANK & TRUST LTD.	CAYMAN ISLANDS	BANKING	0.00	100.00	100.00	4,424	4,568	112	4,484	(28)
MEXIMED, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	3,165	3,838	673	3,006	159
MILANO GESTIONI, SRL.	ITALY	REAL EST. INSTR.	0.00	100.00	100.00	46	4,500	4,170	226	104
MIRADOR DE LA CARRASCOSA, S.L.	SPAIN	REAL ESTATE	0.00	55.90	55.90	9,724	38,345	21,274	17,172	(101)
MONESTERIO DESARROLLOS, S.L.	SPAIN	REAL STATE	0.00	100.00	100.00	20,000	19,996	–	20,000	(4)
MONTEALIAGA, S.A.	SPAIN	REAL ESTATE	0.00	100.00	100.00	21,154	63,676	53,744	9,943	(11)
MULTIASISTENCIA. S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	7,003	14,260	6,323	7,375	562
MULTIVAL, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	78	246	168	1,124	(1,046)
OCCIVAL, S.A.	SPAIN	NO ACTIVITY	100.00	0.00	100.00	8,211	8,915	8	8,271	636
OLIMAR, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	2,324	2,445	–	2,396	49
OPCION VOLCAN, S.A.	MEXICO	REAL EST. INSTR.	0.00	100.00	100.00	57,081	71,411	14,331	68,678	(11,598)
PARTICIPACIONES ARENAL, S.L.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	6,150	7,300	1,150	5,876	274
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	0.00	100.00	100.00	90,533	1,316,016	1,225,479	76,106	14,431
PERI 5,1 SOCIEDAD LIMITADA	SPAIN	REAL ESTATE	0.00	54.99	54.99	1	1	–	1	–
PREVENTIS, S.A.	MEXICO	INSURANCE	0.00	75.01	75.01	4,900	9,203	2,670	5,367	1,166
PRO-SALUD, C.A,	VENEZUELA	SERVICES	0.00	58.86	58.86	–	–	–	–	–
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	1,522	2,021	23	1,974	24
PROMOCIONES INMOBILIARIAS ARJONA, S.A.	SPAIN	REAL EST. INSTR.	100.00	0.00	100.00	1,210	1,507	5	1,480	22
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	139	148	–	148	–
PROMOTORA PROMEX, S.A. DE C.V. (IN LIQUIDATION)	MEXICO	NO ACTIVITY	0.00	100.00	100.00	–	23	–	25	(2)
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE	0.00	58.50	58.50	336	1,702	1,128	703	(129)
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	0.00	100.00	100.00	58,164	58,521	145	49,457	8,919
PROVINCIAL DE VALORES CASA DE BOLSA	VENEZUELA	FINANCIAL SERV.	0.00	90.00	90.00	4,194	6,806	2,163	3,620	1,023
PROVINCIAL SDAD, ADMIN, DE ENTIDADES DE INV. COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERV.	0.00	100.00	100.00	1,037	1,162	136	743	283
PROVIVIENDA, ENTIDAD RECAUDADORA Y ADMIN. DE APORTES, S.A.	BOLIVIA	PENSIONS	0.00	100.00	100.00	230	1,649	1,410	204	35
PROYECTO MUNDO AGUILON, S,L	SPAIN	REAL STATE	0.00	100.00	100.00	9,317	26,464	6,743	3,127	16,594
PROYECTOS EMPRESARIALES CAPITAL RIESGO S.G.E.C.R.,S.A.	SPAIN	FINANCIAL SERV	100.00	0.00	100.00	1,200	1,200	6	1,200	(6)
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	SPAIN	PORTFOLIO	0.00	100.00	100.00	3,148	3,490	8	3,450	32
RATESTART, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	353	3,796	3,490	107	199
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	0.00	100.00	100.00	9,602	17,963	8,361	9,330	272
RESIDENTARIA, S.L.	SPAIN	REAL ESTATE	0.00	100.00	100.00	1,683	1,741	17	1,683	41
S. GESTORA FONDO PUBL. REGUL. MERCADO HIPOTECARIO, S.A.	SPAIN	FINANCIAL SERV.	77.20	0.00	77.20	138	219	67	155	(3)
SCALDIS FINANCE, S.A.	BELGIUM	PORTFOLIO	0.00	100.00	100.00	3,416	3,620	133	3,485	2
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	246,323	604,960	477,705	78,585	48,670
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	0.00	100.00	100.00	8,091	17,375	9,277	4,038	4,060

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SENORTE VIDA Y PENSIONES, S.A. CIA. DE SEGUROS Y REASEG.	SPAIN	INSURANCE	0.00	100.00	100.00	34,158	44,561	2,450	40,615	1,496
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	342	5,445	5,102	287	56
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	142	692	540	137	15
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,603	5,332	3,729	1,491	112
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	99.99	0.01	100.00	60	5,878	5,775	80	23
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANC,,S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	114,518	184,750	1,196	173,866	9,688
SOCIETE HISPANO-MAROCAINE DE SERVICES, S.A.	MOROCCO	NO ACTIVITY	0.00	100.00	100.00	–	187	57	130	–
SOCIETE INMOBILIERE BBV D'ILBARRIZ	FRANCE	REAL ESTATE	0.00	100.00	100.00	–	31	368	(266)	(71)
SPORT CLUB 18, S.A.	SPAIN	PORTFOLIO	99.98	0.02	100.00	10,745	10,752	7	10,456	289
TEXAS INTERNATIONAL INSURANCE GROUP, INC.	UNITED STATES	SERVICES	0.00	100.00	100.00	381	391	10	363	18
TEXTIL TEXTURA, S.L.	SPAIN	INDUSTRIAL	0.00	64.50	64.50	5,305	15,831	9,306	5,826	699
TRANSITORY CO	PANAMA	REAL EST. INSTR.	0.00	100.00	100.00	(352)	11,184	10,841	349	(6)
UNICOM TELECOMUNICACIONES, S. DE R.L. DE C.V.	MEXICO	SERVICES	0.00	99.98	99.98	(11)	13	23	(8)	(2)
UNIDAD DE AVALUOS MEXICO, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	90.00	90.00	622	920	229	654	37
UNISEAR INMOBILIARIA, S.A.	SPAIN	REAL ESTATE	0.00	100.00	100.00	15,626	18,348	629	16,723	996
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS	SPAIN	SERVICES	0.00	100.00	100.00	2,410	2,437	16	2,391	30
UNO-E BANK, S.A.	SPAIN	BANKING	34.35	32.65	67.00	75,845	1,372,874	1,246,714	118,654	7,506
URBANIZADORA SANT LLORENC, S.A.	SPAIN	REAL ESTATE	60.60	0.00	60.60	–	108	–	108	–
URBANIZADORA TINERFEÑA, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	9,266	9,270	–	9,063	207
VALLEY BANK	UNITED STATES	BANKING	0.00	100.00	100.00	17,341	87,828	70,432	18,234	(838)
VISACOM, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	638	640	3	2,029	(1,392)

Information on foreign companies at exchange rate on 12/31/05.
(1) Consolidated with Banc Internacional D´Andorra, S.A.
(*) Unaudited data.

APPENDIX II

ADDITIONAL INFORMATION ON JOINTLY CONTROLLED COMPANIES PROPORTIONATELY CONSOLIDATED IN THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Thousands of Euros (*)

COMPANY	Location	Activity	% of Voting Rights Controlled by the Bank			Investee Data				
			Direct	Indirect	Total	Net Carrying Amount	Assets at 31/12/05	Liabilities at 31/12/05	Equity at 31/12/05	Profit (Loss) for the Period Ended 31/12/05
ADVERA, S.A.	ITALY	FINANCIAL SERV.	50.00	0.00	50.00	2,153	131,592	127,522	6,912	(2,842)
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	SPAIN	PORTFOLIO	0.00	50.00	50.00	1,518	4,096	2	3,646	448
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	50.00	50.00	3,355	14,328	8,986	4,904	438

Information on foreign companies at exchange rate on 12/31/05.
(*) Unaudited data.

APPENDIX III

ADDITIONAL INFORMATION ON INVESTMENTS AND JOINTLY CONTROLLED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD IN THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

(Includes the most significant companies which, taken as a whole, represent 98% of the total investment in this respect)

Thousands of Euros

COMPANY	Location	Activity	% of Voting Rights Controlled by the Bank			Investee Data				
			Direct	Indirect	Total	Net Carrying Amount	Assets	Liabilities	Equity	Profit (Loss) for the Period
ALMAGRARIO, S.A.	COLOMBIA	SERVICES	0.00	35.38	35.38	6,014	17,224	2,518	13,972	734
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	0.00	49.00	49.00	4,784	10,906	3,184	7,473	248
BANCA NAZIONALE DEL LAVORO, S.P.A.	ITALY	BANKING	14.43	0.00	14.43	726,400	78,892,354	73,590,112	5,336,422	(34,180) (1)
CAMARATE GOLF, S.A.	SPAIN	REAL ESTATE	0.00	26.00	26.00	4,627	54,400	36,429	18,000	(29)
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO, S.A.	SPAIN	SERVICES	21.82	0.00	21.82	10,397	60,071	14,023	46,736	(688) (1)
CONCESION SABANA DE OCCIDENTE, S.A.	COLOMBIA	SERVICES	0.00	47.20	47.20	12,992	21,869	1,566	16,254	4,049 (1)
CONSORCIO INTERNACIONAL DE ASEGURADORES DE CREDITO, S.A.	SPAIN	INSURANCE	20.25	0.00	20.25	4,283	39,819	16,505	23,614	(300)
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.	SPAIN	PORTFOLIO	0.00	50.00	50.00	468,076	1,133,310	276,980	669,821	186,509
DESARROLLO INMOBILIARIO DE LANZAROTE S.A.	SPAIN	REAL ESTATE	0.00	40.80	40.80	4,441	4,846	19	4,829	(1)
E-BUSINESS	PANAMA	NO ACTIVITY	0.00	24.69	24.69	72	298	49	273	(24) (2)
EUROPEAN MULTI INDEX ADVISORY COMPANY S.A	LUXEMBOURG	NO ACTIVITY	33.33	0.00	33.33	357	7,762	2,365	106	5,291 (3)
HESTENAR, S.L.	SPAIN	REAL ESTATE	0.00	40.00	40.00	7,653	26,550	20,608	5,991	(49)
IMOBILIARIA DUQUE DE AVILA, S.A.	PORTUGAL	REAL ESTATE	0.00	50.00	50.00	5,136	22,564	14,792	7,748	24
INENSUR BRUNETE, S.L.	SPAIN	REAL ESTATE	0.00	50.00	50.00	12,622	73,426	55,500	18,004	(78) (1)
INMUEBLES MADARIAGA PROMOCIONES, S.L.	SPAIN	REAL ESTATE	50.00	0.00	50.00	3,142	6,690	336	6,359	(5)
LAS PEDRAZAS GOLF, S.L.	SPAIN	REAL ESTATE	0.00	50.00	50.00	15,871	89,405	57,426	32,000	(21)
MOBIPAY INTERNATIONAL, S.A.	SPAIN	SERVICES	0.00	50.00	50.00	2,941	8,732	489	12,544	(4,301)
MONTEALMENARA GOLF, S.L.	SPAIN	REAL ESTATE	0.00	50.00	50.00	7,471	42,591	26,929	15,698	(36)
ONEXA, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	49.80	49.80	18,444	510,594	342,583	173,645	(5,634) (1)
PARQUE REFORMA SANTA FE, S.A. DE C.V.	MEXICO	REAL STATE	0.00	30.00	30.00	5,839	-	-	-	- (4)
PART, SERVIRED, SDAD, CIVIL	SPAIN	SERVICES	20.50	0.92	21.42	10,630	52,545	4,333	48,178	17
PROMOTORA METROVACESA, S.L.	SPAIN	REAL ESTATE	0.00	50.00	50.00	8,777	73,574	54,567	20,050	(1,043) (1)
ROMBO COMPAÑIA FINANCIERA	ARGENTINA	FINANCIAL SERV.	0.00	40.00	40.00	3,369	15,726	8,104	6,703	920
SEGURETAT I SERVEIS, S.A.	ANDORRA	SERVICES	0.00	28.57	28.57	223	1,250	479	677	94
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	0.00	46.14	46.14	4,934	9,804	1,391	8,456	(42)
TECNICAS REUNIDAS, S.A.	SPAIN	SERVICES	0.00	25.39	25.39	38,573	568,350	424,302	113,825	30,223 (1)
TUBOS REUNIDOS, S.A.	SPAIN	INDUSTRIAL	0.00	24.26	24.26	57,775	482,837	314,577	156,165	12,095 (1)
OTHER COMPANIES						27,112				
TOTAL						1,472,955				

Data relating to the latest financial statements (generally for 2004) approved at the date of preparation of these notes to the consolidated financial statements.
For the companies abroad the exchange rates ruling at the reference date are applied,

(1) Consolidated data.
(2) Unaudited data as of November 30, 2004.
(3) Unaudited data as of September 30, 2004.
(4) Company incorporated in October 2005.

APPENDIX IV

NOTIFICATION OF ACQUISITION OF INVESTEES (ART. 86 OF THE SPANISH CORPORATIONS LAW AND ART. 53 OF SECURITIES MARKET LAW 24/1998)

COMPANY	Activity	% of Ownership		Date of Notification to Investee
		Net % Acquired/(Sold) in the Year	% at Year-End	
Acquisitions made until 12/31/2005				
FRANQUICIA TEXTURA, S.A. (1)	INDUSTRIAL	100.00	0.00	10-03-2005
INICIATIVAS RESIDENCIALES EN INTERNET, S.A.	SERVICES	50.00	100.00	10-03-2005
MONTEALIAGA, S.A.	REAL STATE	40.00	100.00	10-03-2005
SERVICIO DE PAGOS INTERBANCARIOS, S.A.	FINANCIAL SERV.	6.70	12.11	19-07-2005
TEXTIL TEXTURA, S.L.	INDUSTRIAL	64.50	64.50	10-03-2005
TEXTURA GLOBE, S.A. (1)	INDUSTRIAL	100.00	0.00	10-03-2005

(1) Company absorbed by Textil Textura, S.L. in December 2005.

APPENDIX V

SUBSIDIARIES FULLY CONSOLIDATED AS OF DECEMBER 31, 2005 WITH MORE THAN 5% OWNED BY NON-GROUP SHAREHOLDERS

		% of Voting Rights Controlled by the Bank		
COMPANY	Activity	Direct	Indirect	Total
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA (AFP PROVIDA)	PENSIONS	12.70	51.62	64.32
AFP PREVISION BBV-ADM.DE FONDOS DE PENSIONES S.A.	PENSIONS	75.00	5.00	80.00
ALTITUDE INVESTMENTS LIMITED	FINANCIAL SERV.	51.00	0.00	51.00
BANC INTERNACIONAL D'ANDORRA, S.A.	BANKING	0.00	51.00	51.00
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	59.70	6.92	66.62
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1.85	53.75	55.60
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SECURITIES	70.00	0.00	70.00
BBVA CRECER AFP, S.A.	FINANCIAL SERV.	35.00	35.00	70.00
BBVA ELCANO EMPRESARIAL, S.C.R., S.A.	FINANCIAL SERV.	50.00	0.00	50.00
BBVA HORIZONTE, S.A.	NO ACTIVITY	90.00	0.00	90.00
BBVA INMOBILIARIA E INVERSIONES S.A.	REAL EST. INSTR	0.00	68.11	68.11
BEXCARTERA, SICAV S.A.	PORTAFOLIO	0.00	80.74	80.74
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	REAL STATE	0.00	72.50	72.50
EL OASIS DE LAS RAMBLAS, S.L.	REAL STATE	0.00	70.00	70.00
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SERVICES	0.00	51.00	51.00
FINANZIA AUTORENTING, S.A.	SERVICES	0.00	85.00	85.00
FINTEGRA FINANCIAL SOLUTIONS, LLC	FINANCIAL SERV.	0.00	51.51	51.51
FORO LOCAL, S.L.	SERVICES	0.00	60.13	60.13
GESTION DE PREVISION Y PENSIONES, S.A.	PENSIONS	70.00	0.00	70.00
HOLDING CONTINENTAL, S.A.	PORTAFOLIO	50.00	0.00	50.00
IBERDROLA SERVICIOS FINANCIEROS, E.F.C, S.A.	FINANCIAL SERV.	0.00	84.00	84.00
INMOBILIARIA Y PROMOTORA RURAL MEXIQUENSE, S.A DE C.V.	REAL STATE	0.00	73.66	73.66
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	FINANCIAL SERV.	48.01	0.00	48.01
JARDINES DE SARRIENA, S.L.	REAL STATE	0.00	84.91	84.91
MIRADOR DE LA CARRASCOSA, S.L.	REAL STATE	0.00	55.90	55.90
PERI 5.1 SOCIEDAD LIMITADA	REAL STATE	0.00	54.99	54.99
PREVENTIS, S.A.	INSURANCE	0.00	75.01	75.01
PRO-SALUD, C.A.	SERVICES	0.00	58.86	58.86
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	REAL STATE	0.00	58.50	58.50
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	FINANCIAL SERV.	0.00	90.00	90.00
TEXTIL TEXTURA, S.L.	INDUSTRIAL	0.00	64.50	64.50
UNIDAD DE AVALUOS MEXICO S.A. DE C.V.	FINANCIAL SERV.	0.00	90.00	90.00
UNO-E BANK, S.A.	BANKING	34.35	32.65	67.00

APPENDIX VI

RECONCILIATION OF THE CLOSING BALANCES FOR 2003 TO THE OPENING BALANCES FOR 2004

ASSETS

	Closing balances for 2003	Differences	Opening balances for 2004
CASH AND BALANCES WITH CENTRAL BANKS	**8,109,875**	**–**	**8,109,875**
FINANCIAL ASSETS HELD FOR TRADING	**27,381,896**	**8,605,568**	**35,987,464**
Loans and advances to credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	25,630,096	3,035,302	28,665,398
Other equity instruments	2,029,414	–	2,029,414
Trading derivatives	(277,614)	5,570,266	5,292,652
Memorandum item: Loaned or advanced as collateral	–	–	–
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**–**	**957,477**	**957,477**
Loans and advances to credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	–	–	–
Other equity instruments	–	957,477	957,477
Memorandum item: Loaned or advanced as collateral	–	–	–
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**38,605,149**	**14,201,885**	**52,807,034**
Debt securities	37,542,499	9,820,921	47,363,420
Other equity instruments	1,062,650	4,380,964	5,443,614
Memorandum item: Loaned or advanced as collateral	–	–	–
LOANS AND RECEIVABLES	**180,568,400**	**(463,192)**	**180,105,208**
Loans and advances to credit institutions	20,907,129	–	20,907,129
Money market operations through counterparties	399,997	–	399,997
Loans and advances to other debtors	150,818,244	–	150,818,244
Debt securities	6,671,421	(463,192)	6,208,229
Other financial assets	1,771,609	–	1,771,609
Memorandum item: Loaned or advanced as collateral	–	–	–
HELD-TO-MATURITY INVESTMENTS	**1,567,535**	**(1,567,535)**	**–**
Memorandum item: Loaned or advanced as collateral	–	–	–
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**–**	**–**	**–**
HEDGING DERIVATIVES	**–**	**5,255,417**	**5,255,417**
NON-CURRENT ASSETS HELD FOR SALE	**183,172**	**–**	**183,172**
Loans and advances to credit institutions	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	–	–	–
Equity instruments	–	–	–
Tangible assets	183,172	–	183,172
Other assets	–	–	–
INVESTMENTS	**7,703,617**	**(6,219,232)**	**1,484,385**
Associates	7,703,617	(6,517,463)	1,186,154
Jointly controlled entities	–	298,231	298,231

ASSETS

	Closing balances for 2003	Differences	Opening balances for 2004
INSURANCE CONTRACTS LINKED TO PENSIONS	**4,629**	**(4,629)**	**–**
REINSURANCE ASSETS	**–**	**21,369**	**21,369**
TANGIBLE ASSETS	**3,608,109**	**190,398**	**3,798,507**
For own use	3,462,320	(113,993)	3,348,327
Investment property	145,789	–	145,789
Other assets leased out under an operating lease	–	304,391	304,391
Assigned to welfare projects	–	–	–
Memorandum item: Acquired under a finance lease	–	–	–
INTANGIBLE ASSETS	**3,012,917**	**(2,165,589)**	**847,328**
Goodwill	2,650,889	(1,905,214)	745,675
Other intangible assets	362,028	(260,375)	101,653
TAX ASSETS	**3,558,055**	**1,636,595**	**5,194,650**
Current	110,021	–	110,021
Deferred	3,448,034	1,636,595	5,084,629
PREPAYMENTS AND ACCRUED INCOME	**1,411,919**	**(715,000)**	**696,919**
OTHER ASSETS	**6,706,528**	**(3,812,477)**	**2,894,051**
Inventories	3,682	277,000	280,682
Other	6,702,846	(4,089,477)	2,613,369
TOTAL ASSETS	**282,421,801**	**15,921,055**	**298,342,856**

LIABILITIES AND EQUITY

LIABILITIES	Closing balances for 2003	Differences	Opening balances for 2004
FINANCIAL LIABILITIES HELD FOR TRADING	**1,463,227**	**4,884,826**	**6,348,053**
Deposits from credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
Trading derivatives	–	4,884,826	4,884,826
Short positions	1,463,227	–	1,463,227
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**–**	**957,477**	**957,477**
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	957,477	957,477
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	**–**	**–**	**–**
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
FINANCIAL LIABILITIES AT AMORTISED COST	**247,096,917**	**3,776,495**	**250,873,412**
Deposits from central banks	20,924,211	–	20,924,211
Deposits from credit institutions	39,182,350	–	39,182,350
Money market operations through counterparties	143,238	–	143,238
Deposits from other creditors	142,954,661	(114,599)	142,840,062
Debt certificates (including bonds)	34,469,312	–	34,469,312
Subordinated liabilities	7,399,613	3,891,094	11,290,707
Other financial liabilities	2,023,532	–	2,023,532
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**–**	**114,599**	**114,599**
HEDGING DERIVATIVES	**–**	**3,970,012**	**3,970,012**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**–**	**–**	**–**
Deposits from central banks	–	–	–
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
Other liabilities	–	–	–
LIABILITIES UNDER INSURANCE CONTRACTS	**–**	**8,112,411**	**8,112,411**
PROVISIONS	**4,941,987**	**3,693,015**	**8,635,002**
Provisions for pensions and similar obligations	3,031,913	3,449,375	6,481,288
Provisions for taxes	–	86,645	86,645
Provisions for contingent exposures and commitments	209,270	70,438	279,708
Other provisions	1,700,804	86,557	1,787,361
TAX LIABILITIES	**320,512**	**1,154,225**	**1,369,021**
Current	105,716	–	105,716
Deferred	214,796	1,154,225	1,369,021
ACCRUED EXPENSES AND DEFERRED INCOME	**1,299,472**	**–**	**1,299,472**
OTHER LIABILITIES	**8,633,291**	**(4,314,946)**	**4,318,345**
Welfare fund	–	–	–
Other	8,633,291	(4,314,946)	4,318,345
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY	**–**	**–**	**–**
TOTAL LIABILITIES	**263,755,406**	**22,348,114**	**286,103,520**

EQUITY	Closing balances for 2003	Differences	Opening balances for 2004
MINORITY INTERESTS	**5,853,458**	**(3,936,294)**	**1,917,164**
VALUATION ADJUSTMENTS	**(2,211,849)**	**3,903,175**	**1,691,326**
Available-for-sale financial assets	–	1,677,380	1,677,380
Financial liabilities at fair value through equity	–	–	–
Cash flow hedges	–	13,946	13,946
Hedges of net investments in foreign operations	–	–	–
Exchange differences	(2,211,849)	2,211,849	–
Non-current assets held for sale	–	–	–
SHAREHOLDER'S EQUITY	**15,024,786**	**(6,393,940)**	**8,630,846**
Capital	1,565,968	–	1,565,968
Issued	1,565,968	–	1,565,968
Unpaid and uncalled (-)	–	–	–
Share premium	6,273,901	(469,083)	5,804,818
Reserves	5,884,171	(5,908,915)	(24,744)
Accumulated reserves (losses)	4,636,173	(5,248,473)	(612,300)
Retained earnings	–	–	–
Reserves (losses) of entities accounted for using the equity method	1,247,998	(660,442)	587,556
Associates	1,247,998	(660,442)	587,556
Jointly controlled entities	–	–	–
Other equity instruments	–	–	–
Equity component of compound financial instruments	–	–	–
Other	–	–	–
Treasury shares	(66,059)	(15,942)	(82,001)
Income attributed to the Group	2,226,701	–	2,226,701
Dividends and remuneration	(859,896)	–	(859,896)
TOTAL EQUITY	**18,666,395**	**(6,427,059)**	**12,239,336**
TOTAL LIABILITIES AND EQUITY	**282,421,801**	**15,921,055**	**298,342,856**

APPENDIX VII

RECONCILIATION OF THE CLOSING BALANCES FOR 2004 TO THE OPENING BALANCES FOR 2005

ASSETS

	Closing balances for 2004	Differences	Opening balances for 2005
CASH AND BALANCES WITH CENTRAL BANKS	**10,122,238**	**852**	**10,123,090**
FINANCIAL ASSETS HELD FOR TRADING	**30,426,845**	**16,609,215**	**47,036,060**
Loans and advances to credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	27,498,188	2,898,391	30,396,579
Other equity instruments	2,928,657	2,762,228	5,690,885
Trading derivatives	–	10,948,596	10,948,596
Memorandum item: Loaned or advanced as collateral	–	–	–
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**–**	**1,059,490**	**1,059,490**
Loans and advances to credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	–	58,771	58,771
Other equity instruments	–	1,000,719	1,000,719
Memorandum item: Loaned or advanced as collateral	–	–	–
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**37,180,593**	**15,822,952**	**53,003,545**
Debt securities	33,843,746	11,193,482	45,037,228
Other equity instruments	3,336,847	4,629,470	7,966,317
Memorandum item: Loaned or advanced as collateral	–	–	–
LOANS AND RECEIVABLES	**202,396,432**	**(5,504,229)**	**196,892,203**
Loans and advances to credit institutions	16,958,178	(255,221)	16,702,957
Money market operations through counterparties	241,999	–	241,999
Loans and advances to other debtors	172,105,016	(21,944)	172,083,072
Debt securities	5,960,701	(463,192)	5,497,509
Other financial assets	7,130,538	(4,763,872)	2,366,666
Memorandum item: Loaned or advanced as collateral	–	–	–
HELD-TO-MATURITY INVESTMENTS	**3,546,759**	**(1,325,257)**	**2,221,502**
Memorandum item: Loaned or advanced as collateral	–	–	–
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**–**	**–**	**–**
HEDGING DERIVATIVES	**–**	**4,273,450**	**4,273,450**
NON-CURRENT ASSETS HELD FOR SALE	**164,136**	**(4,981)**	**159,155**
Loans and advances to credit institutions	–	–	–
Loans and advances to other debtors	–	–	–
Debt securities	–	–	–
Equity instruments	–	–	–
Tangible assets	164,136	(4,981)	159,155
Other assets	–	–	–
INVESTMENTS	**7,147,077**	**(5,747,937)**	**1,399,140**
Associates	7,147,077	(6,236,981)	910,096
Jointly controlled entities	–	489,044	489,044

ASSETS

	Closing balances for 2004	Differences	Opening balances for 2005
INSURANCE CONTRACTS LINKED TO PENSIONS	**3,852**	**(3,852)**	**–**
REINSURANCE ASSETS	**–**	**80,268**	**80,268**
TANGIBLE ASSETS	**3,619,223**	**320,413**	**3,939,636**
For own use	3,510,789	(173,061)	3,337,728
Investment property	108,434	54,215	162,649
Other assets leased out under an operating lease	–	439,259	439,259
Assigned to welfare projects	–	–	–
Memorandum item: Acquired under a finance lease	–	–	–
INTANGIBLE ASSETS	**4,806,817**	**(3,985,733)**	**821,084**
Goodwill	4,435,851	(3,725,358)	710,493
Other intangible assets	370,966	(260,375)	110,591
TAX ASSETS	**3,533,107**	**2,457,589**	**5,990,696**
Current	85,965	79,994	165,959
Deferred	3,447,142	2,377,595	5,824,737
PREPAYMENTS AND ACCRUED INCOME	**1,433,354**	**(715,599)**	**717,755**
OTHER ASSETS	**2,660,825**	**(936,743)**	**1,724,082**
Inventories	3,344	276,553	279,897
Other	2,657,481	(1,213,296)	1,444,186
TOTAL ASSETS	**307,041,258**	**22,399,898**	**329,441,156**

LIABILITIES AND EQUITY

LIABILITIES	Closing balances for 2004	Differences	Opening balances for 2005
FINANCIAL LIABILITIES HELD FOR TRADING	**1,331,501**	**12,802,912**	**14,134,413**
Deposits from credit institutions	–	–	–
Money market operations through counterparties	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
Trading derivatives	–	12,802,912	12,802,912
Short positions	1,331,501	–	1,331,501
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**–**	**834,350**	**834,350**
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	834,350	834,350
Debt certificates including bonds	–	–	–
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	**–**	**–**	**–**
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
FINANCIAL LIABILITIES AT AMORTISED COST	**271,183,419**	**4,400,108**	**275,583,527**
Deposits from central banks	15,643,831	4,657,274	20,301,105
Deposits from credit institutions	48,174,366	(4,126,251)	44,048,115
Money market operations through counterparties	657,997	–	657,997
Deposits from other creditors	149,460,946	614,054	149,891,799
Debt certificates including bonds	44,413,762	1,068,359	45,482,121
Subordinated liabilities	8,107,752	4,219,625	12,327,377
Other financial liabilities	4,724,765	(1,849,752)	2,875,013
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**–**	**183,021**	**183,021**
HEDGING DERIVATIVES	**–**	**3,131,572**	**3,131,572**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**–**	**–**	**–**
Deposits from central banks	–	–	–
Deposits from credit institutions	–	–	–
Deposits from other creditors	–	–	–
Debt certificates including bonds	–	–	–
Other liabilities	–	–	–
LIABILITIES UNDER INSURANCE CONTRACTS	**–**	**8,114,429**	**8,114,429**
PROVISIONS	**5,321,141**	**3,070,707**	**8,391,848**
Provisions for pensions and similar obligations	3,275,995	3,028,289	6,304,284
Provisions for taxes	55,243	117,986	173,229
Provisions for contingent exposures and commitments	230,496	118,286	348,782
Other provisions	1,759,407	(193,854)	1,565,553
TAX LIABILITIES	**323,200**	**1,297,595**	**1,620,795**
Current	80,286	143,370	223,656
Deferred	242,914	1,154,225	1,397,139
ACCRUED EXPENSES AND DEFERRED INCOME	**1,275,000**	**(9,220)**	**1,265,780**
OTHER LIABILITIES	**6,922,278**	**(4,546,300)**	**2,375,978**
Welfare fund	–	–	–
Other	6,922,278	(4,546,300)	2,375,978
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY	**–**	**–**	**–**
TOTAL LIABILITIES	**286,356,539**	**29,279,354**	**315,635,893**

EQUITY	Closing balances for 2004	Differences	Opening balances for 2005
MINORITY INTERESTS	4,609,521	(3,871,982)	737,539
VALUATION ADJUSTMENTS	(2,308,236)	4,415,150	2,106,914
Available-for-sale financial assets	–	2,320,133	2,320,133
Financial liabilities at fair value through equity	–	–	–
Cash flow hedges	–	(24,776)	(24,776)
Hedges of net investments in foreign operations	–	282,895	282,895
Exchange differences	(2,308,236)	1,836,898	(471,338)
Non-current assets held for sale	–	–	–
SHAREHOLDER'S EQUITY	18,383,434	(7,422,624)	10,960,810
Capital	1,661,518	–	1,661,518
Issued	1,661,518	–	1,661,518
Unpaid and uncalled (-)	–	–	–
Share premium	8,177,101	(1,494,498)	6,682,603
Reserves	6,776,473	(6,031,339)	745,134
Accumulated reserves (losses)	5,800,494	(5,356,301)	444,193
Retained earnings	–	–	–
Reserves (losses) of entities accounted for using the equity method	975,979	(675,038)	300,941
Associates	975,979	(967,826)	8,153
Jointly controlled entities	–	292,788	292,788
Other equity instruments	–	–	–
Equity component of compound financial instruments	–	–	–
Other	–	–	–
Treasury shares	(18,370)	(17,476)	(35,846)
Income attributed to the Group	2,801,904	120,692	2,922,596
Dividends and remuneration	(1,015,192)	(3)	(1,015,195)
TOTAL EQUITY	20,684,719	(6,879,456)	13,805,263
TOTAL LIABILITIES AND EQUITY	307,041,258	22,399,898	329,441,156

MEMORANDUM ITEMS	Closing balances for 2004	Differences	Opening balances for 2005
CONTINGENT EXPOSURES	21,652,940	(95,291)	21,557,649
Financial guarantees	21,202,083	(99,772)	21,102,311
Assets earmarked for third-party obligations	734	4,481	5,215
Other contingent exposures	450,123	–	450,123
CONTINGENT COMMITMENTS	66,884,166	(121,764)	66,762,402
Drawable by third parties	60,833,853	(116,975)	60,716,878
Other commitments	6,050,313	(4,789)	6,045,524

APPENDIX VIII

RECONCILIATION OF THE INCOME STATEMENT OF 2004

	2004	Differences	Re-expresed 2004
INTEREST AND SIMILAR INCOME	12,466,255	(113,917)	12,352,338
INTEREST EXPENSE AND SIMILAR CHARGES	(6,100,675)	(347,269)	(6,447,944)
Remuneration of capital having the nature of a financial liability	–	–	–
Other	(6,100,675)	(347,269)	(6,447,944)
INCOME FROM EQUITY INSTRUMENTS	703,729	(448,583)	255,146
A) NET INTEREST INCOME	**7,069,309**	**(909,769)**	**6,159,540**
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	359,992	(262,952)	97,040
Associates	359,992	(356,239)	3,753
Jointly controlled entities	–	93,287	93,287
FEE AND COMMISSION INCOME	4,159,344	(102,363)	4,056,981
FEE AND COMMISSION EXPENSES	(780,075)	136,116	(643,959)
INSURANCE ACTIVITY INCOME	(682)	391,300	390,618
Insurance and reinsurance premium income	–	2,062,030	2,062,030
Reinsurance premiums paid	–	(71,931)	(71,931)
Benefits paid and other insurance-related expenses	–	(1,704,113)	(1,704,113)
Reinsurance income	–	8,534	8,534
Net provisions for insurance contract liabilities	(682)	(413,062)	(413,744)
Finance income	–	708,901	708,901
Finance expense	–	(199,059)	(199,059)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	311,253	450,604	761,857
Held for trading	1,295,873	(185,322)	1,110,551
Other financial instruments at fair value through profit or loss	–	1,296	1,296
Available-for-sale financial assets	353,502	620,910	974,412
Loans and receivables	–	13,932	13,932
Other	(1,338,122)	(212)	(1,338,334)
EXCHANGE DIFFERENCES (NET)	312,504	(14,532)	297,972
B) GROSS INCOME	**11,431,645**	**(311,596)**	**11,120,049**
SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES	–	468,236	468,236
COST OF SALES	–	(341,745)	(341,745)
OTHER OPERATING INCOME	18,307	3,999	22,306
PERSONNEL EXPENSES	(3,184,102)	(62,948)	(3,247,050)
OTHER ADMINISTRATIVE EXPENSES	(1,779,139)	(71,706)	(1,850,845)
DEPRECIATION AND AMORTISATION	(453,436)	5,230	(448,206)
Tangible assets	(361,212)	(2,100)	(363,312)
Intangible assets	(92,224)	7,330	(84,894)
OTHER OPERATING EXPENSES	(215,697)	83,558	(132,139)
C) NET OPERATING INCOME	**5,817,578**	**(226,972)**	**5,590,606**

	2004	Differences	Re-expresed 2004
C) NET OPERATING INCOME	**5,817,578**	**(226,972)**	**5,590,606**
IMPAIRMENT LOSSES (NET)	(1,518,679)	560,485	(958,194)
Available-for-sale financial assets	(18,713)	74,569	55,856
Loans and receivables	(930,727)	146,818	(783,909)
Held-to-maturity investments	–	–	–
Non-current assets held for sale	–	4,222	4,222
Investments	–	(39,508)	(39,508)
Tangible assets	12,453	(10,318)	2,135
Goodwill	(581,692)	384,702	(196,990)
Other intangible assets	–	–	–
Other assets	–	–	–
PROVISION EXPENSE (NET)	(844,336)	(6,221)	(850,557)
FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES	–	8,737	8,737
FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES	–	(4,712)	(4,712)
OTHER GAINS	1,060,783	(438,603)	622,180
Gains on disposal of tangible assets	96,535	6,339	102,874
Gains on disposal of investments	625,650	(308,140)	317,510
Other	338,598	(136,802)	201,796
OTHER LOSSES	(365,874)	94,654	(271,220)
Losses on disposal of tangible assets	(20,571)	(1,879)	(22,450)
Losses on disposal of investments	(36,254)	27,127	(9,127)
Other	(309,049)	69,406	(239,643)
D) INCOME BEFORE TAX	**4,149,472**	**(12,632)**	**4,136,840**
INCOME TAX	(957,004)	(71,627)	(1,028,631)
MANDATORY TRANSFER TO WELFARE FUNDS	–	–	–
E) INCOME FROM ORDINARY ACTIVITIES	**3,192,468**	**(84,259)**	**3,108,209**
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (NET)	–	–	–
F) CONSOLIDATED INCOME FOR THE PERIOD	**3,192,468**	**(84,259)**	**3,108,209**
INCOME ATTRIBUTED TO MINORITY INTERESTS	390,564	(204,951)	185,613
G) INCOME ATTRIBUTED TO THE GROUP	**2,801,904**	**120,692**	**2,922,596**

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2005

THE BBVA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain and is the Parent of the finance group which engages in the direct or indirect performance of activities, transactions, agreements and services relating to banking. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The BBVA Group ("the Group") is an internationally diversified finance group with a significant presence in traditional retail banking, asset management, private banking and wholesale banking.

ECONOMIC SCENARIO IN 2005

2005 witnessed the continued expansion of the world economy which, with growth of over 4%, notably withstood the pressure exerted by rising oil prices. As economic growth gathered momentum and inflation risk rose, the U.S. Federal Reserve gradually increased its official interest rates from 1% in June 2004 to 4.25% at 2005 year-end, in spite of which long-term interest rates remained very low (on average in 2005, the 10-year rate was the same as in 2004), resulting in a flattening of the rate curve.

On 1 December, the European Central Bank signalled an imminent rise in interest rates when it set its official rate at 2.25%, following two-and-a-half years in which it had stood at 2%. Although this triggered an upswing in Euribor in the fourth quarter, in 2005 10-year interest rates were lower, on average, than in 2004. The European economy grew at a slower rate than in 2004. However, the Spanish economy reported 3.4% growth, up 0.3% on 2004, fuelled by burgeoning domestic consumer demand and household and corporate investment; this growth figure also reflects the adverse contribution of the foreign sector and rising inflation.

Latin America, one of the regions to benefit from the international economic climate, achieved growth of more than 4% in 2005. In what proved to be the third consecutive year of significant expansion, the economic performance of this region was characterised by the fact that all Latin American countries obtained equal levels of growth. The increase in raw materials prices, the appreciation of the nominal exchange rate and the reduction in risk premiums all had a favourable impact on the region. Interest rates in Mexico, which peaked in May, began to fall back at the end of August; this, combined with the appreciation of the peso against the U.S. dollar, helped to keep inflation at an all-time low.

As regards the trend in exchange rates in 2005, the euro depreciated against the main currencies of the Americas, which are shown in the table below:

	Percentage Change in Average Exchange Rates (compared with previous year)		Percentage Change in Year-End Exchange Rates (compared with previous year)	
	Δ% 2005	Δ% 2004	Δ% 2005	Δ% 2004
Mexican peso	3.5	(13.0)	20.2	(6.5)
Venezuelan bolivar	(10.5)	(21.9)	3.1	(22.6)
Colombian peso	12.7	(0.3)	18.9	9.5
Chilean peso	8.7	2.9	25.1	(1.4)
Peruvian new sol	3.5	(7.2)	10.7	(2.1)
Argentinean peso	0.8	(9.0)	12.8	(8.1)
U.S. dollar	–	(9.1)	15.5	(7.3)

COMPARATIVE INFORMATION

The financial information included in this management report is presented in accordance with the criteria established by Bank of Spain Circular 4/2004 and the International Financial Reporting Standards (IFRSs) approved by the European Union. The data for 2004 were prepared using the same criteria and, therefore, are uniform. Consequently, they differ from the data published in that year.

INCOME STATEMENT

The changes in the Group's consolidated income statements for 2005 and 2004 were as follows:

Thousands of Euros

	2005	2004	Var. % 05-04
INTEREST AND SIMILAR INCOME	15,847,674	12,352,338	28.3
INTEREST EXPENSE AND SIMILAR CHARGES	(8,932,200)	(6,447,944)	38.5
INCOME FROM EQUITY INSTRUMENTS	292,495	255,146	14.6
A) NET INTEREST INCOME	**7,207,969**	**6,159,540**	**17.0**
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	121,495	97,040	25.2
FEE AND COMMISSION INCOME	4,669,124	4,056,981	15.1
FEE AND COMMISSION EXPENSES	(729,128)	(643,959)	13.2
INSURANCE ACTIVITY INCOME	486,923	390,618	24.7
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	980,164	761,857	(11.7)
EXCHANGE DIFFERENCES (NET)	287,014	297,972	(3.7)
B) GROSS INCOME	**13,023,561**	**11,120,049**	**17.1**
SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES	576,373	468,236	23.1
COST OF SALES	(450,594)	(341,745)	31.9
OTHER OPERATING INCOME	134,559	22,306	n.m.
PERSONNEL EXPENSES	(3,602,242)	(3,247,050)	10.9
OTHER ADMINISTRATIVE EXPENSES	(2,160,478)	(1,850,845)	16.7
DEPRECIATION AND AMORTISATION	(448,692)	(448,206)	0.1
OTHER OPERATING EXPENSES	(249,403)	(132,139)	88.7
C) NET OPERATING INCOME	**6,823,084**	**5,590,606**	**22.0**
IMPAIRMENT LOSSES (NET)	(854,327)	(958,194)	(10.8)
Of which:			
Loan loss provisions	(813,080)	(783,909)	3,7
PROVISIONING EXPENSE (NET)	(454,182)	(850,557)	(46.6)
FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES	2,467	8,737	(71.8)
FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES	(1,826)	(4,712)	(61.2)
OTHER GAINS	284,816	622,180	(54.2)
OTHER LOSSES	(208,279)	(271,220)	(23.2)
D) INCOME BEFORE TAX	**5,591,753**	**4,136,840**	**35.2**
INCOME TAX	(1,521,181)	(1,028,631)	47.9
E) INCOME FROM ORDINARY ACTIVITIES	**4,070,572**	**3,108,209**	**31.0**
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (NET)	–	–	–
F) CONSOLIDATED INCOME FOR THE PERIOD	**4,070,572**	**3,108,209**	**31.0**
INCOME ATTRIBUTED TO MINORITY INTERESTS	(264,147)	(185,613)	42.3
G) INCOME ATTRIBUTED TO THE GROUP	**3,806,425**	**2,922,596**	**30.2**

Cumulative attributed profit amounted to EUR 3,806 million in 2005, an increase of 30.2% with respect to the EUR 2,923 million recorded in 2004. The favourable performance of all income items in the year demonstrates the quality of the results obtained and represented a decisive factor in the Group's improved profits.

In addition to the strength of the Group's recurring income, another feature illustrating the quality of its results in 2005 is the virtually neutral contribution of all the income statement items between the headings Net Operating Income and Profit, resulting from the fact that the year-on-year variations counterbalance each other (decrease in period provisions and other writedowns in comparison with 2004 and reduction of the gains on the disposal of investments).

2005 was also characterised by the increase in the Group's results throughout the year, with the year-on-year growth rates of all margins and profit climbing steadily (both at current and constant exchange rates). The growth rate achieved in net

operating income soared, reaching 14.3% (for the first quarter), 17.1% (first two quarters), 19.5% (first three quarters) and 22.0% (for the whole year). Attributed profit rose by 18.0% through March, 20.1% through June, 24.9% through September and by 30.2% in the year.

Net interest income amounted to EUR 7,208 million, up 17.0% on 2004. Disregarding dividends, this figure was EUR 6,915 million, an increase of 17.1%. Dividends, which totalled EUR 292 million, increased by 14.6%.

In the domestic market, the customer spread in the fourth quarter of 2005 stood at 2.56%, a trend that was more than offset by the growth in business volumes with respect to 2004. In the Americas, the trend in customer spreads was positive, in particular in Mexico, where the margin between the return on loans and the cost of deposits in pesos widened throughout the year to 11.9% in the fourth quarter, despite the fall in the EIIR since August.

Net fees and commissions totalled EUR 3,940 million in 2005 and insurance activity income amounted to EUR 487 million, signifying year-on-year increases of 15.4% and 24.7%, respectively, with respect to 2004. The aggregate total of these two items was EUR 4,427 million at 31 December 2005, representing year-on-year growth of 16.4%.

The net share in the profit or loss of entities accounted for using the equity method, which related mainly to BNL (Banca Nazionale del Lavoro, S.p.A.) and Corporación IBV, amounted to EUR 121 million, up 25.2% on the EUR 97 million recorded in 2004.

Gains on financial assets and liabilities plus exchange differences amounted to EUR 1,267 million in 2005, up 19.6% on 2004, due mainly to the stepping-up of the distribution of cash products to customers.

Gross income (basic margin plus gains on financial assets and liabilities) was EUR 13,024 million in 2005, representing year-on-year growth of 17.1%. If we add to this figure the EUR 126 million of net sales from non-financial services (including most notably those of the real estate business), the Group's total operating income amounted to EUR 13,149 million, 16.9% more than in 2004.

In contrast to this significant increase in ordinary income, the rise in operating expenses was more moderate. Including depreciation and amortisation, operating expenses amounted to EUR 6,211 million in 2005, 12.0% more than in 2004 (with rises of 10.9% in personnel expenses, 16.7% in other administrative expenses and 0.1% in depreciation and amortisation). In the domestic business as a whole, expenses were up by just 3.8%, despite the opening of new branches. In the Americas, the rise was 22.3%, a figure which falls to 14.2% if the trend is measured on a like-for-like basis (i.e. excluding the expenses relating to Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar) and to 11.1% if the impact of exchange rate fluctuations is also considered (this is explained by the Group's significant volume of business in all the countries in which it operates in the Americas).

At 2005 year-end the Group's labour force comprised 94,681 employees. This figure includes 5,489 employees contributed by Hipotecaria Nacional in Mexico, Laredo National Bancshares in the United States and Granahorrar in Colombia. The branch network comprises 7,410 branches. Of this total, 3,578 are located in Spain, a net increase of 193 in 2005 due to the expansion plans of Retail Banking and Dinero Express, 3,658 in the Americas (308 contributed by Hipotecaria Nacional, Laredo and Granahorrar) and 174 in the rest of the world.

As a result of the foregoing, at 31 December 2005, the efficiency ratio stood at 43.2% (44.6% in 2004). If depreciation and amortisation are included, in keeping with customary practice in international comparisons, the increase in expenses is 12.3% and the resulting efficiency ratio is 46.7%, an improvement of 1.9 percentage points on the figure for 2004 (48.6%).

Operating income minus expenses, depreciation and amortisation and the net amount of other operating income/expenses gives net operating income of EUR 6,823 million in 2005, up 22.0% on 2004. Noteworthy increases were reported in each of the Group's three business segments: 13.1% in Retail Banking Spain and Portugal; 33.9% in Wholesale and Investment Banking and 35.4% in Banking in the Americas (46.2% in the Mexican banking business).

Disregarding the effect of exchange rate fluctuations, the Group's net operating income rose by 20.7% and that of the Americas business segment by 31.9%. If the year-on-year trend is analysed on a like-for-like basis (i.e. excluding the margins contributed by Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar), the increases recorded are 20.7% for the Group as a whole and 32.3% in the Americas (19.3% and 28.8%, respectively, at constant exchange rates).

Loan writedowns totalled EUR 813 million in 2005, 3.7% more than in the previous year. In the domestic market (Spain and Portugal), total period writedowns fell and related mainly to loan loss provisions calculated collectively, in view of the low non-performing loan ratio. In the Americas, loan writedowns were up 15.7% (9.8% at constant exchange rates), the increase throughout the year resulting from the parallel growth in lending. Impairment losses fell significantly with respect to 2004, the year in which the BNL goodwill was amortised in full (EUR 193 million in the last quarter). EUR 454 million were recorded under the heading Provisioning Expense, 46.6% less than in 2004, due mainly to the lower amount charged to income for early retirements in 2005.

In 2005, other gains (net, after subtracting other losses) amounted to EUR 77 million, down from EUR 355 million in 2004. This decrease is explained mainly by the disposal of investments, which contributed EUR 29 million in 2005, as compared with EUR 308 million in 2004. In 2004 the Group recorded gains on the sale of its ownership interests in Banco Atlántico (EUR 218 million), Direct Seguros (EUR 26 million),

Grubarges (EUR 26 million), Vidrala (EUR 20 million), and the pension fund manager Crecer and the insurance companies in El Salvador (EUR 12 million).

Net operating income minus writedowns, provisions and other items resulted in profit before tax of EUR 5,592 million in 2005, a year-on-year increase of 35.2%. After deducting EUR 1,521 million for corporation tax, net profit amounted to EUR 4,071 million, up 31.0% on 2004. Of this amount, EUR 264 million relate to minority interests and, therefore, profit attributed to the Group was EUR 3,806 million in 2005, up 30.2% from EUR 2,923 million in 2004.

As a result, earnings per share were EUR 1.12 at 31 December 2005, 29.5% higher than at 2004 year-end. Return on equity (ROE) stood at 37.0% at 31 December 2005 (33.2% in 2004), return on total average assets (ROA) rose to 1.12% (from 0.96% in 2004) and return on average risk-weighted assets (RORWA) climbed to 1.91% (from 1.62% in 2004).

BALANCE SHEET AND BUSINESS ACTIVITY

The Group's consolidated balance sheets at 31 December 2005 and 2004 are as follows:

Thousands of Euros

ASSETS	2005	2004	Var. % 05-04
CASH AND BALANCES WITH CENTRAL BANKS	12,341,317	10,123,090	21.9
FINANCIAL ASSETS HELD FOR TRADING	44,011,781	47,036,060	(6.4)
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,421,253	1,059,490	34.2
AVAILABLE-FOR-SALE FINANCIAL ASSETS	60,033,988	53,003,545	13.3
LOANS AND RECEIVABLES	249,396,647	196,892,203	26.7
Of wich:			
Loans and advances to other debtors	216,850,480	172,083,072	26.0
HELD-TO-MATURITY INVESTMENTS	3,959,265	2,221,502	78.2
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	–	–	–
HEDGING DERIVATIVES	3,912,696	4,273,450	(8.4)
NON-CURRENT ASSETS HELD FOR SALE	231,260	159,155	45.3
INVESTMENTS	1,472,955	1,399,140	5.3
Associates	945,858	910,096	3.9
Jointly controlled entities	527,097	489,044	7.8
INSURANCE CONTRACTS LINKED TO PENSIONS	–	–	–
REINSURANCE ASSETS	235,178	80,268	192.9
TANGIBLE ASSETS	4,383,389	3,939,636	11.3
INTANGIBLE ASSETS	2,070,049	821,084	n.m.
Goodwill	1,857,854	710,493	161.5
Other intangible assets	212,195	110,591	91.9
TAX ASSETS	6,420,745	5.990.696	7.2
PERIODIFICACIONES	557,278	717,755	(22.4)
OTHER ASSETS	1,941,693	1,724,082	12.6
TOTAL ASSETS	**392,389,494**	**329,441,156**	**19.1**

LIABILITIES	2005	2004	Var. % 05-04
	Thousands of euros		
FINANCIAL LIABILITIES HELD FOR TRADING	16,270,865	14,134,413	15.1
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	740,088	834,350	(11.3)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	–	–	–
FINANCIAL LIABILITIES AT AMORTISED COST	329,505,250	275,583,527	19.5
Of which:	–	–	–
Deposits from other creditors	182,635,181	149,891,799	21.8
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	–	183,201	–
HEDGING DERIVATIVES	2,870,086	3,131,572	(8,3)
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	–	–	–
LIABILITIES UNDER INSURANCE CONTRACTS	10,500,567	8,114,429	29.4
PROVISIONS	8,701,085	8,391,848	3.7
TAX LIABILITIES	2,100,023	1,620,795	29.6
ACCRUED EXPENSES AND DEFERRED INCOME	1,709,690	1,265,780	35.1
OTHER LIABILITIES	2,689,728	2,375,978	13.2
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY	–	–	–
TOTAL LIABILITIES	**375,087,382**	**315,635,893**	**18.8**

EQUITY	2005	2004	Var. % 05-04
	Thousands of Euros		
MINORITY INTERESTS	971,490	737,539	31.7
VALUATION ADJUSTMENTS	3,294,955	2,106,914	56.4
Available-for-sale financial assets	3,002,784	2,320,133	29.4
Financial liabilities at fair value through equity	–	–	–
Cash flow hedges	(102,538)	(24,776)	n.m.
Hedges of net investments in foreign operations	(443,561)	282,895	n.m.
Exchange differences	838,270	(471,338)	n.m.
Non-current assets held for sale	–	–	–
SHAREHOLDER'S EQUITY	13,035,667	10,960,810	18.9
Capital or endowment fund	1,661,518	1,661,518	–
Share premium	6,658,390	6,682,603	(0.4)
Reserves	2,172,158	745,134	n.m.
Other equity instruments	141	–	–
Less: Treasury shares	(96,321)	(35,846)	n.m.
Profit attributed to the Group	3,806,425	2,922,596	30.2
Less: Dividends and remuneration	(1,166,644)	(1,015,195)	14.9
TOTAL EQUITY	**17,302,112**	**13,805,263**	**25.3**
TOTAL EQUITY AND LIABILITIES	**392,389,494**	**328,441,156**	**19.1**

At 31 December 2005, customer loans totalled EUR 222 billion, up 25.9% on the EUR 176 billion at 2004 year-end. The depreciation of the euro against the Latin American currencies in 2005 meant that at constant exchange rates the increase with respect to 2004 was 22.5%.

Loans to other resident sectors grew throughout 2005 to end the year at EUR 139 billion, 17.6% more than the EUR 118 billion in 2004. The most noteworthy increase was that of secured loans, which, soaring 22.5% to reach EUR 79 billion in 2005, were boosted by the financing of open-market housing purchases and the rises in commercial loans (37.3%) and finance leases (20.1%), figures which mirror the expansion in SME financing and the Retail Banking business (up more than 22%). Also, at 31 December 2005, the year-on-year increases in term loans and credit cards were 6.2% and 16.0%, respectively.

Total net lending to non-residents amounted to EUR 65 billion, 59.4% higher than the EUR 41 billion at 31 December 2004. Even disregarding the exchange rate effect, the increase is 43.0%. Analysing the trend on a like-for-like basis (i.e. deducting the EUR 6 billion relating to Hipotecaria Nacional, Laredo National Bancshares and Granahorrar, which joined the Group in 2005), loans to non-residents rose by 43.9% at current exchange rates and by 29.1% at constant exchange rates. This upward trend is the result of the good performance of the international corporate banking business and the significant growth achieved by most of the Latin-American subsidiary banks in a favourable economic climate. In Mexico growth in lending was 50.2% in pesos (21.8% excluding Hipotecaria Nacional), driven by consumer loans, credit cards, SME loans and housing purchase financing. As regards the other Latin American countries, Venezuela, Peru, Colombia, Chile and Puerto Rico all achieved increases of more than 18% in local currency.

Lastly, lending to public authorities in Spain amounted to over EUR 16 billion, 4.3% more than the figure for 2004 year-end.

Doubtful loans (including off-balance-sheet risks) totalled EUR 2,382 million at 2005 year-end, up 6.0% on the EUR 2,248 million at December 2004. However, taking into account the impact of the inclusion in the BBVA Group of Hipotecaria Nacional, Laredo National Bancshares and Granahorrar and the appreciation of the Latin-American currencies against the euro, the net change in doubtful loans, on a like-for-like basis and at constant exchange rates, is a significant decrease.

This trend in doubtful loans, combined with the year-on-year growth in total lending (up 27.3% to EUR 252 billion), meant that the Group's non-performing loan ratio dropped to 0.94% at 2005 year-end and 1.13% at 31 December 2004. The non-performing loan ratio fell across-the-board in all the Group's business segments, which combined growth in lending with a decrease in doubtful loans (except in the Americas, where doubtful loans increased, for the reasons explained above).

Loan loss provisions amounted to EUR 6,015 million at 31 December 2005, a year-on-year rise of 21.8%, far higher than that for doubtful loans. As a result, the coverage ratio stood at 252.5% (compared with a year-ago figure of 219.7%). As in 2004, at the end of 2005 the Group had reached the ceiling for loan loss provisions calculated collectively (1.25 alpha). All BBVA's business segments reported improved coverage ratios in 2005.

On- and off-balance-sheet customer funds totalled EUR 403 billion at 31 December 2005, up 22.4% from EUR 329 billion at 2004 year-end. At constant exchange rates, the increase is 16.3%.

On-balance-sheet customer funds amounted to EUR 259 billion, 24.7% more (19.7% at constant exchange rates) than in December 2004 (EUR 208 billion). In 2005 these funds comprised: EUR 182.6 billion of customer deposits (+21.7%); EUR 62.8 billion of debt certificates including bonds (+38.2%); and EUR 13.7 billion of subordinated liabilities (including subordinated debt and preference shares), which rose 11.3% in year-on-year terms.

Off-balance-sheet customer funds (mutual funds, pension funds and customer portfolios) totalled EUR 144 billion, 18.4% more than the EUR 122 billion recorded at 31 December 2004 (10.7% at constant exchange rates). Of this amount, EUR 76 billion relate to Spain (+9.8%) and EUR 68 billion to other countries (up 29.6% at current exchange rates and 11.8% at constant exchange rates).

In the domestic market, the sum of deposits from other resident sectors (excluding repurchase agreements and other accounts) and mutual and pension funds totalled EUR 123 billion at 31 December 2005, representing a year-on-year increase of 7.3%. Deposits rose 4.5% to nearly EUR 62 billion, of which EUR 41.3 billion relate to current and savings accounts (+4.4%) and EUR 20.4 billion to time deposits, 4.6% more than at 31 December 2004.

The aggregate figure for the more stable funds (time deposits plus mutual and pension funds) was nearly EUR 82 billion, up 8.8% on 2004 year-end. Mutual funds rose by 9.8% to EUR 46.3 billion, of which EUR 44.5 billion relate to securities mutual funds (+8.4%) and EUR 1.8 billion to the BBVA Propiedad real estate investment trust (+60.5%). The increase in pension funds, which account for the remaining EUR 15 billion, was 11.8% (14.7% in individual pension plans).

As regards the non-resident sector, the sum of deposits (excluding repurchase agreements and other accounts) and mutual and pension funds totalled EUR 134 billion, signifying increases with respect to December 2004 of 31.0% and 14.7% at current and constant exchange rates, respectively. If these funds are analysed on a like-to-like basis (excluding those relating to Laredo National Bancshares, Hipotecaria Nacional and Granahorrar, which amounted to EUR 3.8 billion at 31 December 2005), the increases are 27.4% at current rates and 11.5% at constant rates.

Particularly worthy of note in 2005 was the performance of current and savings accounts, which totalled EUR 35 billion (achieving growth of 36.1% at current rates and 19.5% at constant rates). These increases are especially important given the contribution to income of these low-cost funds. The trend in stable funds was as follows: time deposits amounted to EUR 48 billion, up 19.7% and 8.9% at current and constant rates, respectively; pension funds totalled EUR 39 billion (+38.9% and +14.8%); and mutual funds, which accounted for the remaining EUR 13 billion, rose sharply in 2005 (up 42.7% in euros and 25.8% in local currency.

Lastly, deposits from public authorities amounted to nearly EUR 10 billion in 2005, double the figure for 2004. Disregarding the balances awarded in the Treasury's liquidity auction, the increase was 65.7%.

BUSINESS PERFORMANCE

Following is a breakdown, by business segment, of the income statement described above:

	Retail Banking Spain and Portugal			Wholesale and Investment Banking			Banking in America				Corporate Activities		
	2005	2004	Var. % 05-04	2005	2004	Var. % 05-04	2005	2004	Var. % 05-04	Var. (*) 05-04	2005	2004	Var. % 05-04
NET INTEREST INCOME	**3,182**	**3,015**	**5.6**	**440**	**423**	**4.1**	**3,797**	**2,865**	**32.6**	**29.4**	**(212)**	**(143)**	**47.8**
Net profit from companies accounted for using the equity method	1	1	(29.7)	51	104	(50.9)	(1)	–	n.m.	n.m.	71	(8)	n.m.
Net fees and commissions	1,602	1,477	8.5	227	190	19.2	2,056	1,735	18.5	15.1	56	11	n.m.
Insurance activity income	309	257	20.3	–	–	–	241	171	40.7	35.0	(63)	(38)	68.0
BASIC INCOME	**5,094**	**4,750**	**7.2**	**718**	**717**	**0.1**	**6,092**	**4,771**	**27.7**	**24.3**	**(148)**	**(178)**	**(16.7)**
Gains/Losses on financial assets and liabilities	108	55	96.3	418	196	113.0	349	248	40.7	37.9	391	560	(30.1)
GROSS INCOME	**5,203**	**4,805**	**8.3**	**1,136**	**914**	**24.4**	**6,441**	**5,019**	**28.3**	**25.0**	**243**	**382**	**(36.4)**
Net sales from non-financial services	23	27	(16.2)	95	81	17.4	6	4	65.2	59.1	2	15	(86.5)
Personnel expenses and other administrative expenses	(2,250)	(2,179)	3.2	(360)	(324)	11.1	(2,767)	(2,221)	24.6	21.4	(386)	(374)	3.3
Depreciation and amortisation	(103)	(107)	(3.9)	(7)	(7)	5.4	(226)	(226)	(0.1)	(3.6)	(113)	(108)	4.1
Other operating income and expenses (net)	49	36	35.6	22	(2)	n.m.	(163)	(144)	13.3	10.5	(23)	–	n.m.
OPERATING INCOME	**2,922**	**2,583**	**13.1**	**886**	**662**	**33.9**	**3,291**	**2,431**	**35.4**	**31.9**	**(277)**	**(85)**	**224.7**
Impairment losses	(474)	(409)	15.9	(115)	(233)	(50.8)	(394)	(310)	27.2	20.7	129	(6)	n.m.
–Net loan loss provisions	(476)	(409)	16.3	(114)	(233)	(50.8)	(359)	(310)	15.7	9.8	136	168	(19.0)
–Other writedowns	2	–	n.m.	–	–	n.m.	(36)	–	n.m.	n.m.	(7)	(174)	(95.8)
Provision expense (net)	–	(4)	n.m.	5	6	(18.1)	(132)	(187)	(29.5)	(30.8)	(328)	(666)	(50.8)
Other gains and losses (net)	21	12	80.4	29	57	(49.1)	3	2	69.4	n.m.	24	285	(91.6)
–On disposals of investments	11	3	n.m.	16	41	(60.3)	2	16	(87.7)	(88.0)	–	249	n.m.
–Other	10	9	14.5	13	16	(19.5)	1	(14)	n.m.	n.m.	24	36	(31.6)
PROFIT OR LOSS BEFORE TAX	**2,469**	**2,181**	**13.2**	**806**	**493**	**63.7**	**2,768**	**1,936**	**43.0**	**39.9**	**(452)**	**(472)**	**(4.4)**
Income tax	(852)	(751)	13.4	(211)	(85)	148.7	(725)	(534)	36.0	31.8	266	340	(21.7)
PROFIT OR LOSS AFTER TAX	**1,618**	**1,430**	**13.1**	**596**	**408**	**46.0**	**2,043**	**1,402**	**45.7**	**43.0**	**(185)**	**(132)**	**40.2**
Profit or loss attributed to minority interests	(4)	(4)	13.1	(4)	(4)	(10.1)	(223)	(208)	7.5	9.1	(33)	30	n.m.
PROFIT OR LOSS ATTRIBUTED TO THE GROUP	**1,614**	**1,427**	**13.1**	**592**	**404**	**46.6**	**1,820**	**1,195**	**52.3**	**48.7**	**(219)**	**(102)**	**113.3**

(*) At constant exchange rates.

The contribution of the various business segments to 2005 attributed profit was as follows: Retail Banking Spain and Portugal contributed EUR 1,614 million (up 13.1% on 2004), Wholesale and Investment Banking accounted for EUR 592 million (up 46.6%) and Banking in the Americas EUR 1,820 million (up 52.3%), whereas Corporate Activities contributed a loss of EUR 219 million (a loss of EUR 102 million in 2004).

Following are the most salient features of the performance of the BBVA Group's business segments in 2005:

RETAIL BANKING SPAIN AND PORTUGAL

2005 was characterised by the sustained growth of the main business indicators and the results of this segment. Burgeoning commercial activity, the implementation of a pricing policy in keeping with the prevailing low interest rates, the development of new business lines and cost containment resulted in a 13.1% year-on-year increase in net operating income at 31 December 2005 and prompted the efficiency ratio (including depreciation and amortisation) to improve by more than two points to 43.3% at 2005 year-end. This rise in net operating income had a knock-on effect on growth in attributed profit, which climbed 13.1% to EUR 1,614 million at 31 December 2005. This segment reported ROE of 32.1% at 2005 year-end.

Net interest income grew 5.6% in 2005 to EUR 3,182 million, mirroring both the steady increase in commercial activity in the individual, SME and business banking divisions and the successful defence of customer loan and deposit margins in a climate of fierce competition.

Total net lending amounted to EUR 127,959 million at 31 December 2005, up 20.1% on the year-ago period, due to

increases of 22.9% in market mortgage financing (21.1% and 32.7% in purchaser and developer loans, respectively), of 22.5% in SMEs and businesses and of 8.5% in consumer loans.

Total customer funds under management (deposits, mutual and pension funds and other intermediation products) rose by 10.0% to EUR 126,947 million at 2005 year-end. Although all types of customer funds performed well, the highest increases were those achieved in stable savings deposits, with growth of 20.2% in time deposits (30.1% in financial insurance products), 10.1% in mutual funds and 12.2% in pension funds. In addition, year-on-year growth in transactional liabilities was 5.1% in 2005.

Higher business volumes triggered an 8.5% increase in net fee and commission income, which totalled EUR 1,602 million in 2005. Fees and commissions for banking services were up 12.1% (EUR 922 million) on 2004, and those for mutual and pension funds rose by 3.9% (EUR 680 million). Also, the development and distribution of insurance products contributed EUR 309 million, 20.3% more than in 2004.

Due to the improved net interest income, fees and commissions and results of the insurance business, the basic margin was EUR 5,094 million in 2005 (up 7.2%). In addition, the distribution of cash products in the SME and business segment prompted gains on financial assets and liabilities to total EUR 108 million, almost double the figure for 2004. Thus, gross income increased by 8.3% to EUR 5,203 million in December 2005. Expenses (personnel and general expenses and depreciation and amortisation, minus recoveries) rose by 2.8%, less than half the increase in gross income, despite the 161-branch enlargement of the distribution network. As a result, the efficiency ratio (including depreciation and amortisation) improved 2.3 points from 45.6% in 2004 to 43.3% at 2005 year-end.

The net operating income reported by this segment amounted to EUR 2,922 million in 2005, 13.1% more than in 2004. Loan writedowns, up 16.3% at EUR 476 million, related basically to credit risk provisions calculated collectively, which, remaining at the maximum level permitted throughout the year, increased in keeping with the growth in lending. Conversely, specific provisions remained low as a result of the improved quality of the loans. Despite the increase in lending, doubtful loans fell by 8.1% in 2005, resulting in a non-performing loan ratio of 0.62% at 31 December 2005 (down from 0.82% at 2004 year-end). The coverage ratio increased in 2005 to 315.7% (from 249.1% in 2004).

WHOLESALE AND INVESTMENT BANKING

In 2005 this segment reported 33.9% growth in net operating income and attributed profit totalling EUR 592 million (up 46.6%). Owing to this significant increase in profit, ROE improved from 17.7% in 2004 to 25.9% at 31 December 2005.

Gross income, the aggregate which best reflects the earnings trend in the wholesale business, amounted to EUR 1,136 million in 2005, 24.4% more than in 2004. Particularly noteworthy was the growth in net fees and commissions (both in Markets and Wholesale Banking), which were up 19.2%, and in the gains on financial assets and liabilities, which totalled EUR 418 million, more than double the figure for 2004, due mainly to the performance of the Markets division. 2005 also witnessed a positive trend in income from the provision of non-financial services, with year-on-year growth of 17.4%; these services contributed EUR 95 million, which relate mainly to the real estate business.

Operating expenses were up 11.0% in 2005. Since the growth in income was far greater than the increase in expenses, the efficiency ratio (including depreciation and amortisation) improved by 3.5 points from 33.2% in 2004 to 29.7% in 2005.

Net operating income increased by 33.9% in 2005 to EUR 886 million. Another factor contributing to the growth in the profit for this segment was the 50.8% decrease in loan writedowns, which was due to the lower level of defaults and the fact that the maximum credit risk provisions (calculated collectively) had already been recorded. Lastly, there was a sharp fall in the income from the disposal of investments, which in 2004 included the proceeds from the sale of the holdings in Grubarges and Vidrala.

Total net lending rose 14.0% year on year to reach EUR 46,896 million at 31 December 2005. The most notable growth was that achieved by the international corporate banking business. Loan quality improved significantly due to the 27.6% reduction in the balance of doubtful assets, as a result of which the non-performing loan ratio fell to 0.18% from 0.30% at the end of 2004. The coverage ratio was 728.7% at 2005 year-end, up from 480.2% at 31 December 2004. Deposits totalled EUR 39,628 million at 31 December 2005, an increase of 13.4% with respect to 2004.

THE AMERICAS

Noteworthy developments in this segment in 2005 were the inclusions in the BBVA Group of Hipotecaria Nacional (January), Laredo National Bancshares (May) and Granahorrar (December).

In 2005 the Group's business activities in this segment were carried on in a favourable economic climate marked by the sound performance of the leading American economies. Average GDP growth was 4%, inflation was moderate and interest rates remained similar to those for 2004, albeit with relatively significant fluctuations in the course of the year, above all in Mexico. In contrast to previous years, 2005 saw the appreciation of the Latin-American currencies against the euro, with a concomitant effect on the Group's balance-sheet aggregates. However, since average exchange rate fluctuations in 2005 were mostly moderate, the exchange rate effect on

the segment's contribution to consolidated earnings was scantly material. Unless otherwise stated, for ease of understanding the year-on-year percentage variations quoted below are based on constant exchange rates, since these are deemed to be more illustrative for the purposes of management analysis.

Against this backdrop, the Americas business segment performed very favourably in 2005, achieving a significant increase in business volume, which resulted in increased recurring income and improved results. Attributed profit in 2005 amounted to EUR 1,820 million, up 48.7% on 2004 (52.3% in current euros).

Net interest income rose by 29.4% in 2005 to EUR 3,797 million. This growth was due largely to the effect of the higher volume of business resulting from increased commercial activity. Thus, total net lending in the segment grew by 41.2% in year-on-year terms (excluding Bancomer's historical mortgage portfolio and doubtful assets), or by 19.9% disregarding the effect of the additions to the consolidated Group, with respect to 2004. The most significant growth in 2005 was that achieved in the retail segments (credit cards, consumer loans and mortgages). Customer funds (traditional deposits, network-placed repos and mutual funds) were 17.2% higher in 2005 than in 2004 (11.5% if the Group is analysed on a like-for-like basis), the best-performing items being low-cost deposits (demand deposits and savings accounts) and mutual funds.

Net fee and commission income, which amounted to EUR 2,056 million, up 15.1% on 2004, also benefited from increased business, as a result of both the recovery of mutual and pension fund growth and the upward trend in income from traditional banking services. The dynamic performance of the Group's insurance companies is evidenced by the income obtained from the insurance business, which totalled EUR 241 million (up 35%). Net gains on financial assets and liabilities amounted to EUR 349 million, 37.9% more than in 2004, due to the buoyancy displayed by the markets in the second half of the year, which offset the poorer performance of this income item in the first few months of 2005. As a result, gross income amounted to EUR 6,441 million in 2005, signifying a year-on-year increase of 25.0%.

The significant volume of business performed was also the reason underlying the 19.1% increase in expenses (including depreciation and amortisation) in 2005. Disregarding the new inclusions in the Group (Hipotecaria Nacional, Laredo, BBVA Bancomer USA and Granahorrar), expenses rose by 11.1%. In any case, the increase in expenses was lower than that reported for total income in 2005, resulting in a 2.3-point improvement in the efficiency ratio (including depreciation and amortisation) from 48.7% in 2004 to 46.4% at 31 December 2005.

Consequently, net operating income for the Americas business segment amounted to EUR 3,291 million, up 31.9% on the figure for 2004. Particularly noteworthy was the moderate overall increase in loan writedowns (9.8%) –as compared with the sharp rise in lending-, albeit with a rising quarter-to-quarter trend throughout 2005. The year-on-year decrease in doubtful loans at constant exchange rates, despite the inclusion of new business units, together with the above-mentioned growth in lending, prompted a further fall in the non-performing loan ratio from 3.44% at 31 December 2004 to 2.67% at 2005 year-end, and an increase in the coverage ratio from 173.5% at 2004 year-end to 183.8% at 31 December 2005.

All these developments were reflected in the segment's 48.7% growth in attributed profit in 2005 and in its enhanced profitability, with ROE standing at 33.8% at year-end, up from 26.1% in 2004.

CORPORATE ACTIVITIES

In 2005 Corporate Activities reported a net operating loss of EUR 277 million, compared with a loss of EUR 85 million in 2004. This trend is similar to the fall in the segment's net gains on financial assets and liabilities, due mainly to the sale of Acerinox in 2004 and to the increased cost of the exchange rate hedging transactions relating to the 2005 Latin America earnings.

The most noteworthy variations in the 2005 income statement were the increase in writedowns, resulting from the amortisation of EUR 193 million of BNL goodwill in 2004; the decrease in period provisions, due basically to the lower amount charged to income for early retirements in 2005; and the significant reduction in net other gains following the inclusion in 2004 of the gains obtained on Banco Atlántico and Direct Seguros. Consequently, this business segment recorded a loss of EUR 219 million in 2005.

GROUP EQUITY

Eligible equity as defined by the Basel-based Bank for International Settlements (BIS) amounted to EUR 26,045 million at 2005 year-end, up 14.2% on the figure at 31 December 2004. Thus, the Group's cushion with respect to the BIS capital requirements (8% of risk-weighted assets) was EUR 8,694 million, 6.0% more than at 2004 year-end.

The major growth achieved in the Group's business in 2005, combined with the impact of the appreciation of the Latin-American currencies against the euro, led to an increase in risk-weighted assets. Also, the acquisitions made in the year gave rise to further capital requirements.

Core capital (capital, reserves, minority interests and retained earnings for the year minus goodwill and intangible assets) amounted to EUR 12,151 million, signifying growth of 14.5% with respect to 31 December 2004, which is lower than the 18.7% rise in risk-weighted assets. Despite of this increase, Core capital was 5.6% (5.8% at 2004 year-end).

If preference shares are included in the calculation of core capital, Tier I amounts to EUR 16,279 million at 2005 year-end, 12.9% more than in 2004, and represents 7.5% of risk-weighted assets (7.9% at 31 December 2004). As a result, the proportion of core capital represented by preference shares fell to 25.4% at 31 December 2005, one percentage point less than at 2004 year-end.

Other eligible equity (mainly subordinated debt and valuation adjustments) totalled EUR 9,766 million at 2005 year-end, a year-on-year increase of 16.4%, giving rise to Tier II of 4.5%, as compared with 4.6% at 31 December 2004.

Consequently, the Group's BIS ratio was 12.0% (12.5% at 2004 year-end).

CAPITAL STOCK AND TREASURY SHARES

At 31 December 2005, the capital of Banco Bilbao Vizcaya Argentaria, S.A. amounted to EUR 1,661,517,501.07, and consisted of 3,390,852,043 fully subscribed and paid registered shares of EUR 0.49 par value each.

There were no variations in capital in the period from 1 January to 31 December 2005.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are listed on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich and Milan stock markets, and on 19 August 2005 were admitted for listing on the Mexican stock market.

At 31 December 2005, no individual shareholder owned more than 5% of the Bank's capital. 50.8% of total capital was held by resident shareholders (51.69% in 2004).

At the Annual General Meeting on 28 February 2004 the shareholders resolved to delegate to the Board of Directors, in accordance with Article 153.1.b) of the Spanish Corporations Law, the power to increase capital, on one or several occasions, by a maximum par value equal to 50% of the Bank's subscribed and paid capital at the date of the resolution, i.e. EUR 830,758,750.54. The legally stipulated period within which the directors can carry out this increase is five years. At 31 December 2005, the Board of Directors had not made use of this power.

At 31 December 2005, the resolutions adopted by the shareholders at the Annual General Meetings on 1 March 2003 and 9 March 2002 were still in force. These resolutions authorized the issuance of up to EUR 6,000 million of debentures convertible to and/or exchangeable for Bank shares and empowered the Board of Directors to issue, on one or several occasions, warrants on shares of the Bank up to a maximum of EUR 1,500 million, fully or partially convertible to or exchangeable for Bank shares. At 31 December 2005, no issues had been made under these authorisations.

At the BBVA Special General Meeting held on 14 June 2005, the shareholders resolved to increase the Bank's capital by a par value of EUR 260,254,745.17 to cater for the consideration established in the tender offer for the acquisition of up to 2,655,660,664 ordinary shares of Banca Nazionale del Lavoro S.p.A. and delegated to the Board of Directors the power to carry out the capital increase within a maximum period of one year from the date of the resolution. At 31 December 2005, this capital increase had not taken place.

In addition to the aforementioned resolutions, at the Annual General Meetings held in February 2004 and February 2005, the shareholders authorized the Board of Directors, for a period of five years, to issue fixed-income securities of any class or type, up to a maximum of EUR 121,750 million.

At 31 December 2005, there were no significant capital increases in progress at any of the Group companies.

The detail of the transactions performed by Group companies with Bank shares in 2005 and 2004 is as follows:

	Number of Shares	Thousands of Euros
Balance at 31 December 2003	**7,493,411**	**82,001**
+ Purchases	277,652,703	3,213,465
- Sales	(282,272,150)	(3,266,937)
+/- Other changes	–	7,317
Balance at 31 December 2004	**2,873,964**	**35,846**
+ Purchases	242,189,100	3,364,673
- Sales	(237,453,797)	(3,281,832)
+/- Other changes		(5,978)
Balance at 31 December 2005	**7,609,267**	**112,711**
Balance of BBVA share options sold		**(16,390)**
TOTAL		**96,321**

The average purchase price of the Bank's shares in 2005 was EUR 13.74 per share and the average selling price was EUR 13.80 per share.

The net gains on transactions involving Bank shares were recognised in equity under the heading Reserves. At 31 December 2005, income from treasury share transactions amounted to EUR 34,234 thousand.

DISTRIBUTION OF PROFIT

In 2005, the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2005 profit, amounting to a total of EUR 0.345 gross per share. The aggregate amount of the interim dividends declared as of 31 December 2005, net of the amount collected and to be collected by the consolidable Group companies, was EUR 1,166,644 thousand and is recorded under "Shareholder's

equity - Dividends and Remuneration" in the related consolidated balance sheet. The last of the aforementioned interim dividends, which amounted to EUR 0.115 gross per share and was paid to the shareholders on 10 January 2006, was recorded under the heading Financial Liabilities at Amortised Cost – Other Financial Liabilities in the consolidated balance sheet at 31 December, 2005.

The provisional accounting statements prepared in 2005 by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividends were as follows:

	Thousands of Euros		
	31/05/05 Dividend 1	31/08/05 Dividend 2	30/11/05 Dividend 3
Interim dividend-			
Profit at each of the dates indicated, after the provision for income tax	502,337	1,156,526	1,630,026
Less-			
Interim dividends paid	–	(389,948)	(779,896)
Maximum amount distributable	502,337	766,578	850,130
Amount of proposed interim dividend	389,948	389,948	389,948

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of EUR 0.0186 per share be paid out of 2005 income. Based on the number of shares representing the share capital at 31 December 2005, the final dividend would amount to EUR 630,698 thousand and profit would be distributed as follows:

	Thousands of Euros
Net profit for 2005	1,918,142
Distribution:	
Dividends	
– Interim	1,169,844
– Final	630,698
To voluntary reserves	117,600
Legal reserve	–

RISK MANAGEMENT

THE RISK MANAGEMENT SYSTEM AT BBVA

The BBVA Group considers risk management to be an intrinsic part of the banking business and a source of its competitive advantage. In a diversified, internationally active group, the appropriate identification, measurement and valuation of the various types of risk is of key importance if it is to expand its business in keeping with the desired risk profile and guarantee the sustainability thereof in the medium and long term.

The basic objectives of the BBVA Group risk management system are to cater for the specific needs of customers and to assure the Group's solvency, in keeping with the expectations of the risk profile approved as part of its business strategy.

Internal Control – Risk Maps

The development, implementation and continuous improvement of a risk management system requires the establishment of controls and indicators to guarantee, on the basis of the targets set, that the management structures function adequately and that progress is made in developing the management model. Also, the best practices in risk management are identified and adopted.

Basel II

Since the publication of the Capital Accord, known as Basel II, the Group has redoubled its efforts and assigned the necessary resources in order to successfully comply with the new regulatory framework which, from 2008 onwards, will allow capital utilisation to be determined using internal models.

In this respect, within the context of current legislation, since 31 December 2004, the Bank, after obtaining the related authorisation, has been using its internal market risk model to calculate regulatory capital.

The Group has also opted to implement advanced credit and operational risk models. As required by the Basel Capital Accord, these models will initially be applied to the Group's fundamental risk exposure (over 80%), including BBVA, S.A. as the Parent and BBVA Bancomer in Mexico.

In compliance with the timetable established by the regulators, in 2005 the BBVA Group submitted the mandatory documentation ("Request Memorandums") in order to validate its internal IRB advanced credit risk models. This validation

process, which will continue in 2006 and 2007, was initiated by the Spanish regulatory body and has also been adopted by the Mexican regulator. These two bodies are currently pioneering the implementation of Basel II worldwide.

CREDIT RISK MANAGEMENT

Evolution of credit risk exposure and quality

As of 31 December 2005, the BBVA Group's maximum credit risk exposure was EUR455,282 million, up 24.2% on the previous year-end. By business area, 40.1% of the Group's exposure was concentrated in Retail Banking, 32.2% in Wholesale Banking and 24.2% in the Americas.

In 2005 the inclusion of Laredo National Bankshares, Hipotecaria Nacional and Granahorrar changed the distribution of credit risk by business and geographical areas. Accordingly, in 2005 the relative importance of the Americas increased, whereas that of Retail Banking in Spain and Portugal decreased by 331 basic points (to 53.9% of the Group's total risk exposure) and Wholesale Banking and Investment decreased by 54 basic points (to 27.1% of the total risk exposure).

	Thousands of euros	
	2005	2004
Retail Banking Spain and Portugal	137,914,237	115,056,570
Wholesale and Investment Banking	69,411,784	55,651,723
The Americas	48,521,639	30,393,497
Subtotal Business Areas	255,847,660	201,101,790
Corporate Activities and intra-Group transactions	(3,573,038)	(2,871,321)
Total	**252,274,622**	**198,230,469**

By geographical areas, the Group's exposure in Spain (including the branches abroad, basically in the European Union) accounted for 78.9% of total risk exposure, in other European countries 2.6% and in the Americas 18.5% (14.5% in 2004), most of which (75.9% as compared with 73.9% in 2004) was concentrated in investment grade countries.

BBVA continued to improve its credit risk quality indicators (total doubtful loans and the non-performing loans ratio) throughout 2005. Although the drive to reduce the doubtful loan balance (EUR 2,382 million at 31 December 2005, of which EUR 36 million relate to doubtful contingent exposures) resulted in a fall of approximately EUR 189 million, the exchange rate effect and the expanded consolidated Group (Mexico, USA and Colombia), meant that the year-end volume was slightly higher than that recorded at the beginning of the year (EUR 2,248 million at 31 December 2004).

Retail Banking reduced its doubtful loans in 2005 due to the positive trend in the flows of loans becoming non-performing and of doubtful balances recovered, the most notable performance in this respect being that of the Mortgages and Companies business, with balances of EUR 143 million and EUR 181 million, respectively. Wholesale Banking's performance in 2005 was marked by the absence of loans becoming non-performing and by high recovery levels, amounting to EUR 19 million and EUR 58 million, respectively. In the Americas, disregarding the exchange rate effect and the expanded Group resulting from the inclusion of new companies, the volume of doubtful loans fell by EUR 58 million.

The result of the burgeoning business activity and the containment of doubtful balances mentioned above was a further reduction of 19 basis points in the Group's non-performing loans ratio to 0.94% at 31 December 2005, thus wiping out the 18-basis-point increase triggered by the change in accounting standards.

The amount of loans becoming non-performing fell in 2005 in comparison to 2004, despite the stricter criteria for recognising doubtful loans; this, together with the increase in risk exposure, led to a further reduction in the loans becoming non-performing (as a percentage of credit risk), which fell from 1.08% in 2004 to 0.86% at 2005 year-end. Also, the recovery rate improved to 36.5% of the critical mass (doubtful balances plus loans becoming doubtful in the year), as compared with 31.4% in 2004.

All the business segments saw their non-performing loans ratio decline in 2005. Thus, the NPL fell in Retail Banking Spain and Portugal by 20 basis points to 0.62%, in Wholesale and Investment Banking by 12 basis points to 0.18% and in The Americas by 77 basis points (its non-performing loans ratio stands at 2.67%).

Credit risk provisions for the customer loan portfolio increased by EUR 1,076 million in 2005. 82% of this increase related to provisions for credit risk calculated collectively. In addition, the coverage ratios showed an across-the-board increase 2005 in all the business segments, as can be seen in the following table:

	Thousands of euros			
	Credit Risk Provision		Coverage Ratio	
	2005	2004	2005	2004
Retail Banking Spain and Portugal	2,692,642	2,341,943	315.7%	249.1%
Wholesale and Investment Banking	894,670	813,837	728.7%	480.2%
The Americas	2,381,152	1,815,136	183.8%	173.5%
Corporate Activities and intra-Group transactions	46,530	(32,386)		
Total	**6,014,994**	**4,938,530**	**252.5%**	**219.7%**

The Group's overall coverage ratio was 252.5% at 31 December 2005, up 32.8 percentage points compared to 31 December 2004.

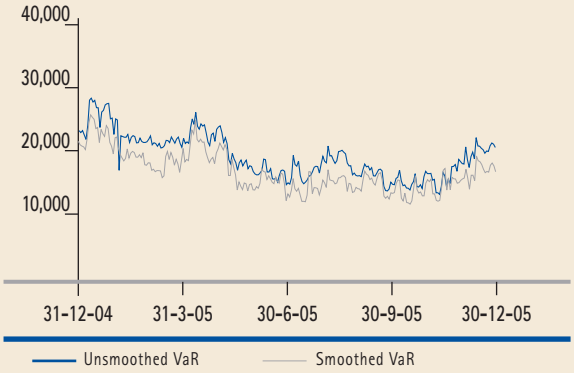
MARKET RISK MANAGEMENT

Risk management in market areas

In 2005 the BBVA Group's market exposure continued to fall to very moderate levels and ended the third quarter with weighted average utilisation of limits of 26%.

The monthly evolution of market risk in 2005 was as follows:

Evolution of market risk
(Thousands of Euros)



By geographical area, at 2005 year-end 68% of the market risk related to banking in Europe and the United States and 32% to the Group's Latin-American banks. Of this latter figure, 24.5% is concentrated in Mexico and 7.5% in the BBVA Group's other Latin-American banks.

The back-testing performed using management results for the BBVA, S.A.'s market risk in 2005, which consisted of comparing for each day the results on the positions with the level of risk estimated by the model, confirms the correct functioning of the risk management model.

OPERATIONAL RISK

In 2005, BBVA made significant progress in rolling out its operational risk tools in order to qualify for the advanced management model as defined by Basel convergence criteria. The group has practically completed deployment of the Ev-Ro tool (qualitative control), while further spreading the use of TransVaR (a management tool using chosen indicators) and SIRO (a database of past events entailing operational risk).

The SIRO data, together with other information from the external ORX database, enabled BBVA to calculate initial estimates of operational risk capital requirements in line with the advanced models.

RESEARCH AND DEVELOPMENT

In 2005 the Group continued to foster the use of new technologies as a key component of its global development strategy. It explored new business and growth opportunities, focussing on three major areas: emerging technologies; asset capture/exploitation; and the customer as the focal point of banking business. In this respect, in 2005:

- The BBVA Group hosted the Fourth Technological Innovation Workshop in Madrid and held its First Technological Innovation Workshop in Mexico.
- It further strengthened the working structure of the Technological Innovation Community. This permanent forum, which analyses and debates the most significant developments in technology applied to the financial services industry, addressed the following matters:
  - The multichannel service model.
  - E-commerce.
  - Mobility services.

ENVIRONMENTAL INFORMATION

The environmental impacts of a financial services group such as BBVA are basically of two kinds:

- Direct impacts: arising from the consumption of energy and raw materials (paper consumption, air-conditioning systems in buildings, land management, etc.).
- Indirect impacts: resulting from the Group's risk policy (granting of loans to projects that might damage the environment) and the creation and marketing of products and services.

The Environmental Policy approved by the Group in 2003 addresses both direct and indirect impacts. This policy is implemented through an advanced Environmental Management System which, based on ISO 14001, promotes an integral mechanism for ongoing improvement that is applicable to the entire Group in all the activities carried on by it in all the countries in which it operates.

To ensure compliance with this policy, an Environmental Policy Committee was set up (also in 2003). This Committee, comprising executives representing the main areas involved, is the body responsible for implementing and monitoring the environmental policy. Policy coordination is managed by the Corporate Responsibility and Reputation Department, which since 2005 has reported to the Communication and Image Division.

The Environmental Management System is based on three fundamental principles: strict compliance with current regulations, responsible behaviour in discharging business functions and a proactive influence on the behaviour of the BBVA Group's stakeholders. These basic principles are implemented through seven lines of action:

1. Ecoefficiency in the use of natural resources and in the treatment of waste.
2. Use of environmental criteria in analyzing financial transaction risk.
3. Financing of, and provision of advisory services for, customers' environmental conservation and improvement projects.
4. Positive influence on suppliers' environmental behaviour.
5. Environmental training and awareness raising among employees.
6. Boosting innovative environmental initiatives through the Innova Programme.
7. Support for environmental initiatives in society.

The Group's environmental activities in 2005 included most notably:

1. Progress in developing procedures to identify, assess and manage the environmental and social risks involved in major financing projects in emerging economies (the Ecuador principles).
2. Obtainment of ISO 14001 certification -granted by an external auditor- for BBVA's operational headquarters in Spain, which house almost 2% of the Group's total workforce.
3. Assignment by Anida (a BBVA real estate company) of 0.7% of its net profit to corporate responsibility actions, with particular emphasis on environmental measures.
4. Launch of an initial project relating to compensation for CO2 emissions produced by BBVA.
5. Establishment of specific targets for the reduction of the Group's consumption of natural resources.
6. Participation in a USD 100 million operation to fund projects for Clean Development Mechanisms (under the Kyoto Protocol) for the abatement of emissions in Central America.

At 31 December 2005, there were no items in the Group's consolidated financial statements that warranted inclusion in the separate environmental information document envisaged in the Ministry of the Economy Order dated October 8, 2001.

REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CONSUMER OMBUDSMAN DEPARTMENT

In accordance with the stipulations of Article 17 of Ministry of the Economy Order ECO/734/2004 on customer care and consumer ombudsman departments and services at financial institutions, the activities of these units in 2005 are summarized as follows:

a) Statistical summary of the grievances and complaints handled by BBVA's Customer Care Service in 2005, the first full year of the Service's operations under Ministry of the Economy Order ECO/734/2004, which will serve as a basis for the analysis of trends with respect to prior years.

The number of customer complaints received by BBVA's Customer Care Service in 2005 was 5,067, of which 30 were ultimately not processed because they did not comply with the requirements of Ministry of the Economy Order ECO/734/2004. 95.42% of the complaints (4,806 files) were resolved in the year and 231 complaints had not yet been analysed at 31 December 2005.

The complaints managed can be classified as follows:

Operations	18.21%
Commission and expenses	18.67%
Asset products	14.96%
Customer information	15.17%
Means of payment	7.30%
Financial and welfare products	6.18%
Other complaints	19.51%

The detail of the complaints handled in 2005, by the nature of their final resolution, is as follows:

	Complaints
In favour of the person submitting the complaint	1,721
Partially In favour of the person submitting the complaint	485
In favour of the BBVA Group	2,600

The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. The Service adopts its decisions independently, notifying the various units involved of any actions which require review or adaptation to the related regulations.

b) Recommendations or suggestions deriving from your experience, with a view to better attaining the aims of your work.

In 2005 the Customer Care Service encouraged the use of the branch network to resolve a large number of complaints through closer contact with customers. This facilitated the obtainment of amicable agreements, which without doubt resulted in a greater perception of quality by customers.

Various recommendations were implemented which led to a series of initiatives designed to improve banking practices at the companies subject to banking industry regulations.

Once again in 2005, as a result of the strategic and operational improvements introduced in this unit, thus continuing the trend set in 2004, there was a reduction in the number of complaints lodged with the various public supervisory bodies. In 2005, the complaints filed with the Bank of Spain and referred to BBVA fell by 4.25%.

OUTLOOK

In 2005 the world economy, despite rising oil prices, grew by 4%. Although in light of this figure the growth of the European economy was disappointing, Spain outperformed initial expectations to report 3.4% growth. 2005 was marked by the globalization of the banking business and high levels of liquidity worldwide.

In 2006 Spanish GDP is expected to grow by 3.1%, slightly less than in 2005. However, the prospects for GDP growth in the EMU are good, and forecasts point to a rise of 2.0% (from 1.4% in 2005).

Faced by this new scenario, BBVA plans to continue to implement its strategy of profitable growth based on its excellent corporate positioning (the Group is present in high-growth markets through leading franchises) and on its tried and tested management model.

In order to meet the challenges of its evolution into a worldwide group, BBVA will base its approach on a simpler, more flexible structure geared towards global growth, business, innovation and diversity. This new structure aims to promote the Group's expansion by attaining three major goals: to make further progress towards the globalisation of the Group; to reinforce the business units' decision-making capacity; and to expedite change through innovation. The new organisational structure comprises three types of area or unit: Business, Shared Resources and Chairmanship.

The Group's business units, or value creation centres, have increased in number from three to five. These segments, which are directly responsible for their market approach, growth and income statement, are Retail Banking Spain and Portugal, Wholesale Business, Mexico, South America and the United States.

In addition to restructuring the business segments, it was also decided to reinforce the Management Committee by increasing the number of its members from 12 to 18 and ensuring a strong representation of the business units.

Once again in 2006, BBVA intends to achieve profitable growth and create value to enable it to cater for the needs of its customers and to meet the expectations of its shareholders and employees.

EVENTS SUBSEQUENT TO 31 DECEMBER 2005

In the period from 31 December 2005, to the date when these consolidated financial statements were authorised for issue no events took place having a material effect on the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

- FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES
- CONSOLIDATED TIME SERIES
- OFFSHORE FINANCIAL CENTRES
- OFFICE NETWORK

FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (I)
BANKS IN SPAIN AND OTHER EUROPEAN COUNTRIES

INCOME STATEMENTS
(Million euros)

	BBVA			Banco de Crédito Local		
	2005	Δ%	2004	2005	Δ%	2004
NET INTEREST INCOME	**3,752**	**(0.6)**	**3,773**	**75**	**(17.7)**	**91**
Net fee income and insurance activities	1,598	17.3	1,363	1	(12.4)	2
CORE REVENUES	**5,351**	**4.2**	**5,136**	**77**	**(17.5)**	**93**
Net trading income	662	67.7	395	5	(34.9)	7
ORDINARY REVENUES	**6,013**	**8.7**	**5,531**	**81**	**(18.7)**	**100**
General administrative expenses	(2,818)	4.5	(2,696)	(5)	5.0	(5)
Depreciation, amortization and others	(179)	(2.7)	(184)	1	59.7	-
OPERATING PROFIT	**3,016**	**13.7**	**2,651**	**77**	**(19.7)**	**95**
Loan loss provisions	(421)	36.1	(310)	2	n.m.	(2)
Other income/losses (net)	(326)	(37.0)	(517)	(1)	n.m.	2
PRE-TAX PROFIT	**2,268**	**24.3**	**1,824**	**78**	**(19.0)**	**96**
Corporate income tax	(350)	44.2	(243)	(27)	(19.1)	(34)
NET PROFIT	**1,918**	**21.3**	**1,581**	**50**	**(18.9)**	**62**

BALANCE SHEETS
(Million euros)

	BBVA			Banco de Crédito Local		
	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04
Cash and balances at Central Banks	2,708	(24.5)	3,584	335	60.3	209
Financial assets held for trading	31,224	(7.6)	33,786	28	(36.5)	43
Financial assets available for sale	32,895	20.4	27,320	2,847	(11.7)	3,223
Loans and receivables	183,251	22.7	149,382	8,779	(5.5)	9,287
Memorandum item: loans to customers	152,538	18.8	128,352	8,649	2.7	8,424
Held to maturity investments	3,959	78.2	2,222	-	-	-
Investments in associates	13,297	10.2	12,069	3	53.5	2
Property, plant, equipment and intangible assets	2,113	2.0	2,071	26	(2.8)	27
Other assets	9,694	(5.2)	10,228	251	4.7	240
TOTAL ASSETS	**279,141**	**16.0**	**240,663**	**12,268**	**(5.9)**	**13,032**
Financial liabilities held for trading	14,580	24.2	11,736	21	(49.3)	42
Financial liabilities at amortised cost	242,038	16.9	207,101	11,478	(6.0)	12,206
Memorandum item:						
Due to customers	129,982	24.8	104,133	2,321	9.2	2,126
Marketable debt securities	34,079	24.1	27,462	6,061	9.1	5,556
Subordinated debt	12,393	6.3	11,660	-	-	-
Other liabilities	9,673	(4.4)	10,115	469	1.1	464
TOTAL LIABILITIES	**266,290**	**16.3**	**228,952**	**11,968**	**(5.9)**	**12,712**
Valuation adjustments	1,810	94.0	933	4	(69.2)	11
Shareholders' funds	11,040	2.4	10,777	297	(3.7)	308
TOTAL LIABILITIES AND EQUITY	**279,141**	**16.0**	**240,663**	**12,268**	**(5.9)**	**13,032**

(1) Consolidated group.
(2) Includes all Group's companies in Andorra.

Finanzia			Uno-e Bank			BBVA Portugal [1]			Group in Andorra [2]		
2005	Δ%	2004	2005	Δ%	2004	2005	Δ%	2004	2005	Δ%	2004
90	**16.9**	**77**	**55**	**9.1**	**50**	**53**	**(3.7)**	**55**	**31**	**5.7**	**29**
5	n.m.	(2)	13	56.7	8	36	27.1	28	99	8.3	91
96	**27.7**	**75**	**67**	**15.6**	**58**	**89**	**6.8**	**83**	**130**	**7.7**	**121**
-	(100.0)	-	-	n.m.	-	3	22.0	2	5	(27.8)	7
96	**28.4**	**75**	**67**	**14.6**	**59**	**91**	**7.2**	**85**	**135**	**5.6**	**128**
(46)	4.6	(44)	(42)	15.5	(36)	(65)	(15.5)	(77)	(41)	24.3	(33)
(1)	44.9	(1)	(1)	(22.7)	(2)	(5)	(28.7)	(7)	(4)	(50.6)	(7)
49	**62.7**	**30**	**24**	**15.9**	**21**	**21**	**n.m.**	**2**	**91**	**3.9**	**88**
(28)	(2.3)	(29)	(12)	49.8	(8)	(8)	n.m.	10	1	n.m.	(5)
15	25.4	12	-	(76.0)	-	(4)	(48.6)	(7)	(5)	n.m.	(2)
35	**178.0**	**13**	**13**	**(3.5)**	**13**	**10**	**109.5**	**5**	**87**	**6.9**	**82**
(9)	117.1	(4)	(5)	11.0	(5)	(3)	212.3	(1)	-	-	-
26	**208.1**	**8**	**8**	**(11.4)**	**8**	**8**	**87.7**	**4**	**87**	**6.9**	**82**

Finanzia			Uno-e Bank			BBVA Portugal [1]			Group in Andorra [2]		
31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04	31-12-05	Δ%	31-12-04
-	(78.9)	-	20	14.3	17	62	(27.8)	86	46	(27.0)	63
-	-	-	-	n.m.	-	11	93.7	6	33	(60.2)	83
-	0.6	-	466	18.1	394	266	210.1	86	6	(84.0)	37
3,005	24.4	2,415	849	17.1	725	4,085	18.9	3,435	2,383	13.7	2,095
2,794	23.4	2,263	691	32.5	522	3,451	15.9	2,977	924	9.8	841
-	-	-	-	-	-	-	-	-	106	143.4	43
83	(11.3)	94	7	n.m.	-	41	4.1	40	7	23.2	6
4	(11.3)	4	1	(21.9)	1	60	(21.3)	76	61	1.8	60
25	26.5	20	30	(14.6)	35	181	103.7	89	635	n.m.	56
3,118	**23.0**	**2,534**	**1,373**	**17.1**	**1,172**	**4,707**	**23.3**	**3,818**	**3,277**	**34.1**	**2,444**
-	-	-	-	-	-	1	n.m.	-	7	n.m.	-
2,935	23.1	2,385	1,239	18.6	1,045	4,396	23.3	3,565	2,158	8.8	1,984
2	42.5	2	1,117	27.2	878	2,029	16.3	1,745	2,034	10.1	1,847
-	-	-	-	-	-	-	-	-	-	-	-
6	0.2	6	-	-	-	69	-	69	-	-	-
42	20.4	35	8	(18.4)	9	71	163.2	27	713	n.m.	131
2,977	**23.0**	**2,420**	**1,247**	**18.3**	**1,054**	**4,468**	**24.4**	**3,592**	**2,877**	**36.0**	**2,115**
-	n.m.	-	-	6.3	-	-	n.m.	-	-	n.m.	-
140	22.8	114	126	6.3	118	239	5.9	226	400	21.7	329
3,118	**23.0**	**2,534**	**1,373**	**17.1**	**1,172**	**4,707**	**23.3**	**3,818**	**3,277**	**34.1**	**2,444**

FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (II)
BANKS IN THE AMERICAS

INCOME STATEMENTS [1]
(Million euros)

	MEXICO BBVA Bancomer Banking Group				ARGENTINA BBVA Banco Francés				CHILE BBVA Chile			
	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004
NET INTEREST INCOME	**2,463**	**39.7**	**34.9**	**1,763**	**220**	**26.3**	**25.4**	**174**	**148**	**15.1**	**5.8**	**128**
Net fee income and insurance activities	978	26.1	21.8	775	98	38.6	37.5	71	53	22.7	12.9	43
CORE REVENUES	**3,441**	**35.6**	**31.0**	**2,537**	**318**	**29.3**	**28.3**	**246**	**201**	**17.0**	**7.6**	**172**
Net trading income	161	27.4	23.0	127	62	138.5	136.7	26	3	(65.6)	(68.4)	10
ORDINARY REVENUES	**3,602**	**35.2**	**30.6**	**2,663**	**380**	**39.8**	**38.8**	**272**	**204**	**12.5**	**3.5**	**181**
General administrative expenses	(1,349)	27.1	22.8	(1,061)	(153)	27.7	26.7	(120)	(102)	20.6	11.0	(85)
Depreciation, amortization and others	(238)	6.5	2.9	(224)	(15)	(21.3)	(21.9)	(20)	(15)	(28.1)	(33.9)	(21)
OPERATING PROFIT	**2,015**	**46.2**	**41.2**	**1,379**	**211**	**60.0**	**58.8**	**132**	**87**	**14.6**	**5.4**	**76**
Loan loss provisions	(254)	22.2	18.0	(208)	3	(84.9)	(85.0)	17	(34)	(11.3)	(18.4)	(38)
Other income/losses (net)	(83)	(14.2)	(17.1)	(97)	(51)	5.8	5.0	(48)	(6)	223.8	197.9	(2)
PRE-TAX PROFIT	**1,678**	**56.3**	**50.9**	**1,074**	**163**	**62.2**	**61.0**	**100**	**47**	**31.5**	**21.0**	**36**
Corporate income tax	(486)	56.2	50.8	(311)	(48)	(40.6)	(41.0)	(80)	(7)	n.m.	n.m.	(1)
NET PROFIT	**1,192**	**56.3**	**51.0**	**763**	**115**	**n.m.**	**n.m.**	**20**	**40**	**14.1**	**5.0**	**35**
Minority interests	(1)	(96.5)	(96.6)	(32)	(25)	n.m.	n.m.	(6)	(13)	16.0	6.7	(11)
NET ATTRIBUTABLE PROFIT	**1,191**	**63.1**	**57.5**	**730**	**90**	**n.m.**	**n.m.**	**14**	**27**	**13.3**	**4.2**	**24**

BALANCE SHEETS
(Million euros)

	BBVA Bancomer Banking Group				BBVA Banco Francés				BBVA Chile			
	31-12-05	Δ%	Δ% [2]	31-12-04	31-12-05	Δ%	Δ% [2]	31-12-04	31-12-05	Δ%	Δ% [2]	31-12-04
Cash and balances at Central Banks	6,316	45.1	20.7	4,354	419	(2.1)	(13.2)	428	162	134.7	87.6	69
Financial assets held for trading	10,930	13.2	(5.8)	9,659	489	n.m.	n.m.	87	202	(56.7)	(65.4)	465
Financial assets available for sale	162	(74.3)	(78.6)	629	391	(20.1)	(29.2)	489	76	(47.3)	(57.9)	143
Loans and receivables	28,046	60.3	33.4	17,501	2,233	3.5	(8.2)	2,158	5,635	45.4	16.2	3,875
Memorandum item: loans to customers	19,775	63.9	36.4	12,062	2,090	2.4	(9.2)	2,040	5,288	47.9	18.2	3,576
Held to maturity investments	4,170	(54.5)	(62.2)	9,170	-	(100.0)	(100.0)	1	-	-	-	-
Investments in associates	428	21.7	1.3	352	91	23.5	9.5	73	71	48.4	18.6	48
Property, plant, equipment and intangible assets	1,013	11.9	(6.9)	905	277	(7.8)	(18.2)	301	105	6.6	(14.8)	99
Other assets	3,558	98.6	65.3	1,792	199	208.6	173.7	65	180	(8.1)	(26.5)	196
TOTAL ASSETS	**54,622**	**23.1**	**2.5**	**44,362**	**4,100**	**13.8**	**0.9**	**3,602**	**6,431**	**31.4**	**5.0**	**4,895**
Financial liabilities held for trading	540	n.m.	n.m.	77	-	-	-	-	32	n.m.	n.m.	-
Financial liabilities at amortised cost	46,147	16.5	(3.0)	39,607	3,391	9.9	(2.5)	3,086	5,858	32.6	5.9	4,419
Memorandum item:												
Due to customers	36,772	23.8	3.1	29,694	2,994	31.6	16.7	2,275	4,667	33.6	6.8	3,492
Marketable debt securities	-	-	-	-	80	n.m.	n.m.	-	319	n.m.	n.m.	-
Subordinated debt	1,086	99.9	66.4	543	-	(100.0)	(100.0)	15	182	94.5	55.4	94
Other liabilities	3,534	136.9	97.1	1,492	207	78.0	57.8	116	65	(48.0)	(58.5)	125
TOTAL LIABILITIES	**50,221**	**22.0**	**1.5**	**41,176**	**3,598**	**12.4**	**(0.3)**	**3,202**	**5,955**	**31.0**	**4.7**	**4,544**
Valuation adjustments	49	n.m.	n.m.	(30)	-	(80.5)	(82.7)	2	5	n.m.	n.m.	-
Shareholders' funds	4,352	35.3	12.6	3,216	501	26.1	11.8	398	470	34.0	7.1	351
TOTAL LIABILITIES AND EQUITY	**54,622**	**23.1**	**2.5**	**44,362**	**4,100**	**13.8**	**0.9**	**3,602**	**6,431**	**31.4**	**5.0**	**4,895**

(1) Contribution to the consolidated financial statements.
(2) At constant exchange rate.

COLOMBIA BBVA Colombia				PERU BBVA Banco Continental				PUERTO RICO BBVA Puerto Rico				VENEZUELA BBVA Banco Provincial			
2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004
175	**24.1**	**10.1**	**141**	**178**	**34.8**	**30.2**	**132**	**143**	**5.3**	**5.4**	**136**	**248**	**(8.2)**	**2.7**	**270**
63	31.0	16.2	48	65	2.8	(0.7)	63	20	1.7	1.8	20	80	15.4	29.0	69
238	**25.4**	**11.2**	**190**	**243**	**24.4**	**20.3**	**195**	**163**	**4.9**	**4.9**	**155**	**328**	**(3.3)**	**8.1**	**339**
5	n.m.	n.m.	(2)	32	177.0	167.7	12	(9)	n.m.	n.m.	3	21	(3.6)	7.8	21
243	**29.2**	**14.7**	**188**	**275**	**33.0**	**28.5**	**207**	**154**	**(2.6)**	**(2.6)**	**158**	**348**	**(3.3)**	**8.1**	**360**
(127)	17.1	3.9	(109)	(96)	11.8	8.1	(85)	(85)	3.2	3.3	(82)	(208)	9.3	22.2	(190)
(23)	(12.3)	(22.2)	(26)	(12)	1.4	(2.0)	(12)	(10)	155.3	155.3	(4)	(25)	31.6	47.1	(19)
94	**73.4**	**53.9**	**54**	**167**	**52.9**	**47.8**	**109**	**60**	**(17.4)**	**(17.4)**	**73**	**115**	**(23.7)**	**(14.8)**	**151**
(15)	(54.1)	(59.3)	(33)	(12)	(55.3)	(56.8)	(27)	(30)	16.0	16.0	(26)	(14)	n.m.	n.m.	11
(16)	n.m.	n.m.	(3)	(4)	(46.7)	(48.5)	(7)	(3)	94.2	94.2	(1)	(1)	(85.0)	(83.2)	(9)
63	**232.9**	**195.4**	**19**	**151**	**101.7**	**94.9**	**75**	**27**	**(40.2)**	**(40.2)**	**45**	**99**	**(35.0)**	**(27.3)**	**153**
(13)	n.m.	n.m.	(1)	(51)	79.1	73.1	(29)	(5)	(56.5)	(56.5)	(12)	1	n.m.	n.m.	-
50	**180.9**	**149.3**	**18**	**100**	**115.5**	**108.3**	**47**	**22**	**(34.2)**	**(34.2)**	**33**	**100**	**(34.6)**	**(26.9)**	**153**
(2)	174.0	143.1	(1)	(54)	116.4	109.2	(25)	-	-	-	-	(45)	(34.8)	(27.1)	(69)
47	**181.3**	**149.6**	**17**	**47**	**114.4**	**107.2**	**22**	**22**	**(34.2)**	**(34.2)**	**33**	**55**	**(34.5)**	**(26.8)**	**84**

BBVA Colombia				BBVA Banco Continental				BBVA Puerto Rico				BBVA Banco Provincial			
31-12-05	Δ%	Δ% [2]	31-12-04	31-12-05	Δ%	Δ% [2]	31-12-04	31-12-05	Δ%	Δ% [2]	31-12-04	31-12-05	Δ%	Δ% [2]	31-12-04
215	20.9	1.7	178	1,042	78.8	61.6	583	19	23.6	7.0	15	640	46.5	42.0	437
406	n.m.	n.m.	-	40	241.4	208.5	12	5	n.m.	n.m.	-	16	n.m.	n.m.	2
476	(34.2)	(44.7)	724	834	179.7	152.7	298	2,001	91.4	65.8	1,045	224	(72.6)	(73.4)	819
1,833	43.5	20.7	1,277	2,475	19.1	7.6	2,078	3,699	32.1	14.4	2,801	3,374	68.7	63.6	2,000
1,823	43.9	21.0	1,267	2,258	48.6	34.3	1,519	3,174	32.8	15.0	2,389	1,898	67.8	62.7	1,131
-	-	-	-	-	-	-	-	-	-	-	-	619	n.m.	n.m.	37
185	n.m.	n.m.	21	32	15.2	4.1	28	-	-	-	-	14	16.9	13.3	12
310	219.1	168.3	97	65	16.3	5.1	56	162	16.6	1.0	138	62	41.8	37.4	43
38	35.7	14.1	28	38	3.0	(6.9)	37	50	19.6	3.5	42	36	74.4	69.1	20
3,463	**49.0**	**25.3**	**2,325**	**4,526**	**46.4**	**32.3**	**3,092**	**5,935**	**46.8**	**27.2**	**4,042**	**4,985**	**47.9**	**43.4**	**3,371**
3	n.m.	n.m.	-	-	-	-	-	4	n.m.	n.m.	-	-	-	-	-
2,994	46.3	23.0	2,046	4,010	47.4	33.2	2,721	5,462	49.7	29.6	3,649	4,396	52.2	47.6	2,889
2,479	40.4	18.0	1,766	3,465	39.2	25.8	2,488	2,591	37.2	18.8	1,889	4,134	50.5	45.9	2,748
-	-	-	-	59	n.m.	n.m.	-	693	n.m.	n.m.	-	-	-	-	-
-	-	-	-	-	-	-	-	42	15.5	-	37	-	-	-	-
200	130.4	93.8	87	145	87.8	69.7	77	56	43.9	24.7	39	164	17.2	13.7	140
3,197	**49.9**	**26.0**	**2,133**	**4,155**	**48.5**	**34.2**	**2,798**	**5,522**	**49.7**	**29.7**	**3,688**	**4,560**	**50.6**	**46.0**	**3,028**
3	n.m.	n.m.	1	1	n.m.	n.m.	(3)	(8)	172.7	136.2	(3)	10	n.m.	n.m.	(16)
264	37.9	16.0	191	371	25.2	13.1	296	420	18.0	2.2	356	415	16.0	12.5	358
3,463	**49.0**	**25.3**	**2,325**	**4,526**	**46.4**	**32.3**	**3,092**	**5,935**	**46.8**	**27.2**	**4,042**	**4,985**	**47.9**	**43.4**	**3,371**

FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (III)
PENSION FUND MANAGERS IN THE AMERICAS

FUNDS UNDER MANAGEMENT AND INCOME STATEMENTS [1]

(Million euros)

	Mexico Afore Bancomer				Chile AFP Provida				Argentina Consolidar AFJP			
	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004	2005	Δ%	Δ% [2]	2004
FUNDS UNDER MANAGEMENT	8,862	37.7	14.6	6,435	19,456	40.1	12.0	13,886	3,554	37.1	21.6	2,592
CORE REVENUES	192	9.4	5.7	176	110	29.0	18.6	85	42	3.3	2.5	41
Of which: net fee income	188	8.6	4.9	173	111	27.1	16.9	87	35	14.2	13.3	31
ORDINARY REVENUES	203	11.1	7.3	183	125	24.9	14.9	100	46	0.6	(0.2)	46
OPERATING PROFIT	120	10.6	6.8	109	65	71.9	58.1	38	11	24.7	23.8	9
PRE-TAX PROFIT	117	6.9	3.2	109	61	152.7	132.5	24	11	23.9	22.9	9
NET PROFIT	84	11.1	7.3	76	49	213.2	188.1	16	7	(2.8)	(3.5)	7
NET ATTRIBUTABLE PROFIT	83	16.2	12.2	71	31	220.0	194.3	10	6	(2.7)	(3.5)	6

(1) Contribution to the consolidated financial statements.
(2) At constant exchange rate.

CONSOLIDATED TIME SERIES

INCOME STATEMENTS
(Million euros)

	IFRS		Bank of Spain's Circular 4/1991						
	2005	2004	2004	2003	2002	2001	2000	1999	1998
Net interest income	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760	5,516
Core revenues	11,756	10,060	10,448	10,004	11,476	12,862	10,364	8,467	7,857
Ordinary revenues	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108	8,374
Operating profit	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457	3,120
Pre-tax profit	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902	2,374
Net profit	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168	1,785
Net attributable profit	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746	1,424

BALANCE SHEET AND BUSINESS ACTIVITY
(Million euros)

	IFRS		Bank of Spain's Circular 4/1991						
	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
Loans to customers	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607	99,907
Total assets	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166	202,911
On-balance-sheet customer funds	259,200	207,701	199,485	182,832	180,570	199,486	185,718	139,934	119,941
• Due to customers	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077	99,351
• Marketable debt securities	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552	17,562
• Subordinated debt	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305	3,028
Other customer funds	143,887	121,553	121,553	113,074	108,815	124,496	118,831	102,677	74,221
Total customer funds	403,087	329,254	321,038	295,906	289,385	323,982	304,549	242,611	194,162

ADDITIONAL INFORMATION

	IFRS		Bank of Spain's Circular 4/1991						
	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
Dividends (million euros)	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854	699
Number of shareholders (thousands)	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268	1,338
Number of shares (millions) (1)	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931	2,861
Number of employees	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556	86,349
• Spain	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052	37,847
• Abroad	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504	48,502
Number of branches	7,410	6,868	6,848	6,924	7,504	7,988	8,946	7,491	7,226
• Spain	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336	4,495
• Abroad	3,832	3,483	3,473	3,553	4,090	4,368	5,082	3,155	2,731

(1) The data from the period from 1998 to 1999 were re-calculated based on the share exchange ratio (5 BBV shares for 3 Argentaria shares).

OFFSHORE FINANCIAL CENTRES

Introduction

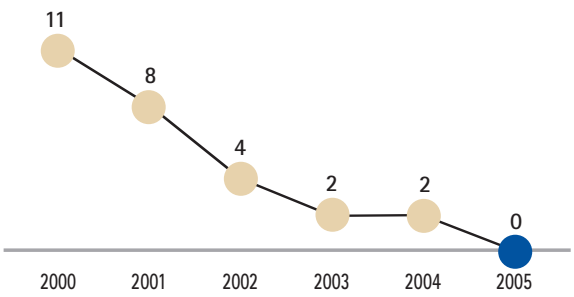
In general, the term Offshore Financial Centre is used in reference to such countries or regions as have a disproportionate level of financial activity with non-residents in relation to the size of their economy, a circumstance often attributed to their condition as tax haven[1] and applicable to the majority of such jurisdictions.

Over the last five years, international pressure on offshore financial centres (and particularly on so-called tax havens), apparent in the position adopted by different supra-national bodies and a variety of legal initiatives, has led to the passing of international legal provisions, rules and standards relating to the prevention of money laundering and the financing of terrorist activities. Furthermore, in a large number of cases, a process of cooperation has been initiated between different jurisdictions in an effort to combat organised crime and tax evasion.

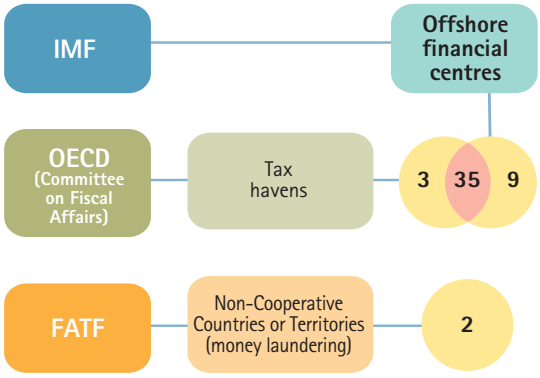
It is particularly relevant that, at the close of 2005, neither of the two countries considered non-cooperative countries or territories[2] in the fight against money laundering by the FATF (Financial Action Task Force) – Myanmar (formerly Burma) and Nigeria – was included in the group of 44 countries or territories in the IMF Programme of offshore financial centres (see Progress Report of 14 March 2003).

From a comparison of the list drawn up by the IMF with that of tax havens named by the OECD, we can appreciate that 9 offshore financial centres would not be considered tax havens (see table provided) and, of those, Switzerland[3], Costa Rica and Palau would not merit the said consideration under Spanish law (see Royal Decree 1080/1991). Only 3 tax havens (the Virgin Islands of the United States of America, the Republic of Liberia and the Republic of San Marino) are not considered offshore financial centres.

Offshore financial centres (IMF) listed as Non-Cooperative by FATF at the close of each year



Listings by IMF, OECD (Committee on Fiscal Affairs) and FATF



BBVA Group establishments in offshore financial centres

The BBVA Group is in agreement with the Bank of Spain's approach (see the Banking Supervision Report 2003) regarding reputational risks for financial institutions that, in developing their strategies, blind themselves to the implications associated with the localisation of their business, and with the kind of activities that may eventually be carried out in offshore financial centres –

1 The condition of tax haven derives from the combination of low or non-existent taxes on income from capital, a legal framework that is particularly strict regarding the protection of the identity of participants in banking transactions, and financial systems that are at times inadequately regulated and/or supervised.

2 See Annual Review of Non-Cooperative Countries and Territories of 10 June 2005 and agreements of the Plenary meeting of the FATF held in Paris from 12 to 14 October 2005.

3 Switzerland is a member of the group of 31 countries that, together with the European Commission and the Gulf Cooperation Council make up the FATF.

especially those that have come to be known as tax havens[4].

As a result, in 2004 the BBVA Group (which does not have any permanent establishment in any jurisdiction considered by the FATF as a non-cooperative country or territory in its fight against money laundering) stated its policy on activities with establishments permanently registered in offshore financial centres. At the same time, BBVA issued a plan of action aimed at reducing to three the number of offshore financial centres from which the BBVA Group would expect to be operating by the end of 2006 (see Corporate Social Responsibility Report 2004).

By the close of 2005, the measures deriving from the said plan had led to the removal of 19 permanent establishments (12 in 2004 and 7 in 2005). In addition, as is pointed out in Appendix I of the chapter "Legal Documentation" of this annual report (Additional information on consolidated subsidiaries composing the BBVA Group), 4 companies were in the process of liquidation and another 14 had ceased all business activity as a preliminary step to the said process. Of the 14 companies no longer doing business, 7 show liabilities with securities issued, and the time of their effective liquidation will depend on the repurchase and/or amortisation process. The accompanying table shows comparative detail of the issues existing as at 31 December 2004 and 2005.

The BBVA Group's permanent establishments with some sort of business activity registered in offshore financial centres that are considered tax havens by the OECD can be classified as follows:

1. Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles.
2. Businesses in Panama.
3. BBVA Group's holding in Banc Internacional D'Andorra, S.A.
4. BBVA Group's holding in Inversiones Banpro Internacional Inc. N.V. (the Netherlands Antilles).

1) **Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles**
At the close of 2005, the BBVA Group only had two bank branches in the Cayman Islands and one registered in the Netherlands Antilles. The activities and business of these branches are developed under the strictest compliance to applicable laws, in both the jurisdictions in which they are registered and in those in which their

ISSUES
(Million euros)

		Preferred shares [1]			Subordinated debt [1]			Other fixed-income securities		
ISSUER	Country	31-12-05	Δ%	31-12-04[2]	31-12-05	Δ%	31-12-04[2]	31-12-05	Δ%	31-12-04[2]
BBVA International Ltd.	Cayman Islands	1,340	-	1,340						
BBVA Preferred Capital Ltd.	Cayman Islands	203	-	203						
BBVA Capital Funding Ltd.	Cayman Islands	-	(100.0)	256	2,139	(29.9)	3,051			
BBVA Global Finance Ltd.	Cayman Islands				233	(50.0)	466	2,261	(57.4)	5,304
BCL International Finance Ltd.	Cayman Islands							185	(55.2)	413
Mercury Trust Ltd. [3]	Cayman Islands							253	(18.2)	310
BBVA Privanza International Ltd. [4]	Gibraltar	59	-	59						
TOTAL		**1,602**	**(13.8)**	**1,858**	**2,372**	**(32.6)**	**3,517**	**2,699**	**(55.2)**	**6,027**

(1) Securities issued before enactment of 19/2003 Act, of 4 July.
(2) At constant exchange rate of 31-Dec-05.
(3) Issues of securitisation bonds for the flows generated by credit cards issued by BBVA Bancomer.
(4) On 31-Jan-06, 100% of this issue was repurchased for early redemption.

4 The BBVA Group has no permanent establishment in any of the jurisdictions listed as tax havens by the OECD which are not offshore financial centres as per the IMF criteria.

operations are effectively administered. Apart from other information, the tables show the type of business or main activity (which does not include the rendering of private banking services) to which the balance sheets of these branches correspond, the main headings of which at the close of 2005 and 2004 are included.

BBVA GROUP BRANCHES IN OFFSHORE FINANCIAL CENTRES

	Banco Bilbao Vizcaya Argentaria, S.A.	BBVA Bancomer, S.A.	Banco Provincial, S.A.
OFC in which the permanent establishment is domiciled	Cayman Islands	Cayman Islands	Netherlands Antilles
Jurisdictions in which transactions are effectively administered	USA	Mexico	Venezuela
Main activity or business	Corporate Banking	Financial risks and balance-sheet management	Commercial Banking

BALANCE SHEETS

(Million euros)

	Cayman Islands BBVA Branch (Spain)				Cayman Islands BBVA Bancomer Branch (Mexico)				Netherlands Antilles Banco Provincial Branch (Venezuela)			
	31-12-05	Δ%	Δ%[2]	31-12-04[1]	31-12-05	Δ%	Δ%[2]	31-12-04	31-12-05	Δ%	Δ%[2]	31-12-04
Total net lending	4,015	(16.0)	(27.2)	4,780	1,062	(12.9)	(24.6)	1,219	8	(9.7)	(21.8)	9
Securities portfolio	24	(83.7)	(85.9)	144	2,529	(4.2)	(17.0)	2,641	2	(89.5)	(90.9)	20
Liquid assets	-	-	-	-	452	3	265.1	107	60	80.2	56.1	33
Property and equipment and intangible assets	-	(99.8)	(99.8)	1	-	-	-	-	-	-	-	-
Other assets	31	87.6	62.5	16	16,085[3]	97.1	70.7	8,159[3]	-	36.7	18.4	-
TOTAL ASSETS	**4,070**	**(17.6)**	**(28.7)**	**4,941**	**20,129**	**66.0**	**43.8**	**12,127**	**70**	**13.6**	**(1.6)**	**62**
Deposits	3,949	(17.3)	(28.3)	4,773	915	74.7	51.3	523	69	54.1	33.5	45
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Equity	86	(25.3)	(35.3)	115	(41)	(143.6)	(137.8)	93	1	15.5	-	1
Liquid liabilities	-	-	-	-	562	(56.1)	(62.0)	1,281	-	(100.0)	(100.0)	16
Other liabilities	35	(33.9)	(42.8)	53	18,692[3]	82.7	58.3	10,229[3]	1	298.4	245.1	-
TOTAL LIABILITIES AND EQUITY	**4,070**	**(17.6)**	**(28.7)**	**4,941**	**20,129**	**66.0**	**43.8**	**12,127**	**70**	**13.6**	**(1.6)**	**62**
Memorandum accounts	**1**	**(35.6)**	**(44.2)**	**2**	**58,684**	**115.1**	**86.3**	**27,281**	**-**	**-**	**-**	**-**
Bonds, guarantees and cautions	1	(35.5)	(44.1)	2	-	-	-	-	-	-	-	-
Other transactions[4]	-	-	-	-	58,684	115.1	86.3	27,281	-	-	-	-

(1) Data as of 31-12-04, as aggregated from the BBVA's branches in Cayman Islands and Nassau. The Nassau operations were transferred to the Cayman Islands in June 2005, and the branch was subsequently closed.
(2) At constant exchange rate.
(3) Includes mainly time period adjustments and sundry accounts derived from booking options and futures recorded in Memorandum Accounts (See (4) below).
(4) Includes: currency sales & purchases and currency swaps, agreements on future interest rates, financial swaps, options and futures, at their notional or contractual value.

2) **Businesses in Panama**

The BBVA Group currently has the following permanent establishments in Panama: a subsidiary bank, Banco Bilbao Vizcaya Argentaria, S.A. (Panamá), which in turn, owns a company for holding foreclosed assets, Transitory Co. These establishments limit their activities to what is strictly related to the development of commercial banking business, basically domestic, which does not include the rendering of private banking services.

In general, Banco Bilbao Vizcaya Argentaria, S.A. (Panamá) restricts the admission of business relations with non-resident individuals[5] and companies registered in other jurisdictions to cases where the business relation is a consequence of commercial activities known and developed in Panama. In any event, any exception to the general criteria would call for the application of reinforced procedure on customer knowledge as well on their approval.

The table attached includes the condensed balance sheets of the BBVA Panama financial group, at the close of 2004 and 2005.

5 Irrespective of the fact that such individuals are recorded as holders of the business relation or as economic beneficiaries of the same (when its holder is a corporate entity registered in any jurisdiction).

BALANCE SHEETS
(Million euros)

	Panama BBVA Group in Panama			
	31-12-05	Δ%	Δ% [1]	31-12-04
Total net lending	687	16.8	1.2	588
Securities portfolio	12	(43.2)	(50.8)	20
Liquid assets	38	74.9	51.5	22
Property and equipment and intangible assets	9	7.0	(7.3)	9
Other assets	20	35.4	17.2	15
TOTAL ASSETS	**766**	**17.2**	**1.5**	**654**
Deposits	534	55.5	34.7	343
Debt securities	-	-	-	-
Equity	136	12.2	(2.8)	121
Liquid liabilities	70	(59.5)	(65.0)	172
Other liabilities	26	54.7	34.0	17
TOTAL LIABILITIES	**766**	**17.2**	**1.5**	**654**
Memorandum accounts	**107**	**185.1**	**146.9**	**37**
Bonds, guarantees and cautions	38	47.1	27.4	26
Other transactions [2]	69	n.m.	n.m.	12

(1) At constant exchange rate.
(2) Includes: currency sales & purchases and currency swaps, agreements on future interest rates, financial swaps, options and futures, at their notional or contractual value.

3) **BBVA Group's holding in Banc Internacional d'Andorra, S.A.**
As at 31 December 2005, the BBVA Group held a stake of 51% in the share capital of the Banc Internacional d'Andorra, a bank which in turn owns all of the shares of Banca Mora, BI-BM Gestio d'Actius and Assegurances Principat. Additional information on all of these companies, as well as on Seguritat y Serveis (in whose share capital Banc Internacional d'Andorra holds a stake of 29%) in Appendix I of the chapter "Legal Documentation" of this annual report (Additional information on consolidated subsidiaries composing the BBVA Group).
The group formed by the abovementioned companies, all of which are registered in the Principality of Andorra, focuses on developing domestic commercial banking (representing a significant percentage of all of their activities) and on providing private banking services.
The main headings of the consolidated financial statements of the group formed by the abovementioned companies are included in the section on financial statements of the Group's main companies in this "Supplementary Information" chapter.

4) **BBVA Group's holding in Inversiones Banpro Internacional Inc. N.V. (Netherlands Antilles)**
The BBVA Group owns 48% of the share capital of Inversiones Banpro Internacional Inc. N.V., a company registered in the Netherlands Antilles whose sole asset is its ownership of all of the shares of Banco Provincial Overseas, N.V., a bank likewise registered in the Netherlands Antilles, where it has the necessary resources to manage its business and administer its operations. Banco Provincial Overseas, N.V. limits its activities (which do not entail the rendering of private banking services) to providing transactional services and the issue of guarantees, fundamentally for companies. These activities are complemented by a limited range of US dollar-denominated savings products for both companies and individuals.
The attached table includes the condensed balance sheets of the Banco Provincial

BALANCE SHEETS
(Million euros)

	Netherlands Antilles Banco Provincial Overseas			
	31-12-05	Δ%	Δ% [1]	31-12-04
Total net lending	6	(33.2)	(42.2)	9
Securities portfolio	21	(59.7)	(65.1)	53
Liquid assets	339	14.3	(1.0)	297
Property and equipment and intangible assets	1	6.4	(7.8)	1
Other assets	-	-	-	-
TOTAL ASSETS	**367**	**2.1**	**(11.6)**	**360**
Deposits	328	(0.9)	(14.1)	331
Debt securities	-	-	-	-
Equity	30	21.7	5.4	25
Liquid liabilities	4	-	-	-
Other liabilities	5	44.0	24.7	3
TOTAL LIABILITIES	**367**	**2.1**	**(11.6)**	**360**
Memorandum accounts	**24**	**11.0**	**(3.9)**	**22**
Bonds, guarantees and cautions	24	11.0	(3.9)	22
Other transactions [2]	-	-	-	-

(1) At constant exchange rate.
(2) Includes: currency sales & purchases and currency swaps, agreements on future interest rates, financial swaps, options and futures, at their notional or contractual value.

Overseas, N.V., at the close of 2004 and 2005.

Supervision and control of the permanent establishments of the BBVA Group in offshore financial centres

The BBVA Group has defined identical risk management criteria and policies for all its permanent establishments in offshore financial centres as for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of its permanent establishments in offshore financial centres, BBVA's corporate Internal Audit department checks to ensure: the correctness of its activities, compliance with corporate policies and procedures in matters relating to customer knowledge and prevention of money laundering, the veracity of the information submitted to the parent company and compliance with tax obligations and Spanish legislation applicable to the transfer of funds between Spain and abroad. BBVA's corporate Standards Compliance department directly supervises the measures that have to be taken in order to comply with plans of action deriving from Audit Reports on each one of the establishments. Last of all, and on an annual basis, the heads of the BBVA's Internal Audit and Standards Compliance departments submit their conclusions for consideration to the Audit and Compliance Committee, which, in turn forwards the corresponding report to the BBVA board of directors.

As far as external audits are concerned, it is the function of the Audit and Compliance committee to select the external auditor for the consolidated group and for all the companies forming part of the same. The selection criterion is to designate the same auditing firm for all BBVA Group's permanent establishments in offshore financial centres, unless, for reasons which the committee will appreciate, this is not possible or fitting. For 2005, all of the BBVA Group's permanent establishments registered in offshore financial centres have the same external auditor – Deloitte –, except for the BBVA Group's companies established in the Netherlands Antilles whose external auditor is Price Waterhouse Coopers.

The BBVA Group's network of offices • In Spain

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Banco Bilbao Vizcaya Argentaria, S.A. has its registered address in Bilbao (Vizcaya-Spain), Plaza de San Nicolás, number 4 and is registered at the Vizcaya Mercantile Registry, in volume 2,083, sheet 1, page BI-17-A, entry no. 1. Its tax identification number is A-48265169.

Banco Bilbao Vizcaya Argentaria is registered in the Bank of Spain's Special Banks and Bankers Register under number 0182, and is a member of the Deposit Guarantee Fund.

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